Cementos Molins, S.A.

Financial Statements for the year ended 31 December 2017 and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Cementos Molins, S.A.,

Report on the Financial Statements

Opinion

We have audited the financial statements of Cementos Molins, S.A. (the Company), which comprise the balance sheet as at 31 December 2017, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2017, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of ownership interests in, and loans to, Group companies and associates

Description

The Company has ownership interests in the share capital of Group companies and associates that are not listed on regulated markets, and has granted loans thereto, as detailed in Note 8 to the financial statements.

The measurement of the recoverable amount of those ownership interests and loans requires the use of significant estimates and judgements by management, both when choosing the valuation method and discounting future cash flows and when taking into consideration the key operating assumptions used for each method in question.

Procedures applied in the audit

Our audit procedures included, among others, the obtainment of the measurement of the recoverable amount of the aforementioned ownership interests and loans performed by the Company's management, and verified both the appropriateness of the valuation method used in relation to the investment held and the clerical accuracy of the calculations made. We also assessed the reasonableness of the main assumptions taken into consideration in the calculations, mainly those referring to projected future cash flows and discount rates.

Impairment of ownership interests in, and loans to, Group companies and associates

Description	Procedures applied in the audit
As a result of the foregoing, as well as the significance of the investments held and loans granted, which amounted to EUR 248 million at year-end, this matter was determined to be a key matter in our audit.	We also involved internal valuation experts to help us in the process to assess the assumptions and methodologies used by the Company and, in particular, those related to the discount rates used. Furthermore, we analysed the reasonableness of the projected operating assumptions (mainly, production and sales volumes, production costs and selling prices) and the consistency of the assumptions included in the prior year's analysis with the actual operating figures. We also took into consideration the ability to repay the loans and to pay dividends based on historical information and the potential restrictions under existing agreements that prevent the payment of dividends in the future. Lastly, we assessed whether Note 8 to the accompanying financial statements contains the disclosures required by the applicable accounting regulations relating to the measurement of the recoverable amount of those assets.

Other Information: Directors' Report

The other information comprises only the directors' report for 2017, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report is defined in the audit regulations in force, which establish two distinct levels of review:

a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the specific information described in section a) above has been provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit and Compliance Committee for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and compliance committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description in Appendix I forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional report to the Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and compliance committee dated 27 February 2018.

Engagement Period

The Annual General Meeting held on 3 June 2016 appointed us as auditors for a period of one year from the year ended 31 December 2016, i.e. 2017.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 1990, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

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Albert Riba Barea
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27 February 2018

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and compliance committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and compliance committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit and compliance committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

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CEMENTOS MOLINS, S.A.

BALANCE SHEET AS OF 31 DECEMBER 2017
(in thousands of euros)

ASSETS	31/12/2017	31/12/2016
NON-CURRENT ASSETS		
Intangible fixed assets (Note 5)	90	10
Tangible fixed assets (Note 6)	8,431	8,583
L/t invest. in group and associated companies (Note 8)	248,283	254,295
Long term financial investments (Note 8)	26	26
Deferred tax assets (Note 14)	3,125	3,125
	259,955	**266,039**
CURRENT ASSETS		
Trade debtors and other receivables	6,634	5,029
S/t invest. in group and associated companies (Note 8)	7,456	7,481
Short-term financial investments (Note 8)	1	5,196
Short term accruals	19	4
Cash and equivalent liquid assets	10,094	1,107
	24,204	**18,817**
TOTAL ASSETS	**284,159**	**284,856**

NET EQUITY AND LIABILITIES	31/12/2017	31/12/2016
NET EQUITY		
OWN FUNDS (Note 9)		
Capital	19,835	19,835
Issue premium	175	175
Reserves	166,668	163,038
Results for the financial year	32,096	18,836
Interim dividend	(15,868)	(14,545)
	202,906	**187,339**
NON-CURRENT LIABILITIES		
Long-term provisions	1,133	-
Long term debts (Notes 11)	22,497	39,838
LT debts to companies within the group and associated companies (Note 11)	38,187	38,220
Deferred tax liabilities (Note 14)	1,050	1,255
	62,867	**79,313**
CURRENT LIABILITIES		
Short term debts (Note 11)	15,577	15,067
ST debts to companies within the group and associated companies	1	1
Commercial creditors and other payables	2,808	3,136
	18,386	**18,204**
TOTAL NET EQUITY AND LIABILITIES	**284,159**	**284,856**

Notes 1 to 17 described in the Report and Annexes I and II are part of the balance sheet as of 31 December 2017.

CEMENTOS MOLINS, S.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR FINANCIAL YEAR YEAR ENDED ON 31 DECEMBER 2017

(in thousands of euros)

	2017	2016
Net amount of the turnover (Note 15)	41,804	31,222
Other operating income	2,424	2,469
Staffing costs (Note 15)	(7,098)	(6,840)
Other operating expenses	(3,840)	(3,297)
Amortisation of fixed assets (Note 5 and 6)	(247)	(253)
Allocation of subsidies of financial fixed assets and others	-	-
Impairment and result for the transfer of fixed assets	-	2
Other results	-	-
OPERATING RESULTS	**33,043**	**23,303**
Financial income	9	19
Financial expenses	(2,297)	(2,891)
Exchange differences	(203)	(20)
Impairment and result for the transfer of financial instruments	29	115
FINANCIAL RESULTS (Note 15)	**(2,462)**	**(2,777)**
RESULTS BEFORE TAX	**30,581**	**20,526**
Tax on profit (Note 14)	1,515	(1,690)
RESULTS FOR THE FINANCIAL YEAR	**32,096**	**18,836**

Notes 1 to 17 described in the Report and Annexes I and II are part of the profit and loss account of the financial year ended on 31 December 2017.

CEMENTOS MOLINS, S.A.

STATEMENT OF CHANGES IN NET EQUITY FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2017

(in thousands of euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

	Year 2017	Year 2016
RESULT OF THE PROFIT AND LOSS ACCOUNT	**32,096**	**18,836**
INCOME AND EXPENSES ALLOCATED DIRECTLY UNDER NET EQUITY	**-**	**-**
TRANSFERS TO THE PROFIT AND LOSS ACCOUNT	**-**	**-**
TOTAL RECOGNISED INCOME AND EXPENSES	**32,096**	**18,836**

B) TOTAL STATEMENTS OF CHANGES IN NET EQUITY

	Capital	Issue Premium	Revaluation Reserve (Note 6)	Legal Reserve	Voluntary Reserves and other reserves	Results of the period (Note 3)	Complementary dividend (Note 3)	Interim dividend	Total
01/01/2016	**19,835**	**175**	**18,593**	**3,967**	**135,149**	**17,891**	**-**	**(11,901)**	**183,709**
Distribution of results	-	-	-	-	5,329	(17,891)	661	11,901	-
Complementary dividend	-	-	-	-	-	-	(661)	-	(661)
Interim dividend year 2016	-	-	-	-	-	-	-	(14,545)	(14,545)
Recognised income and expenses	-	-	-	-	-	18,836	-	-	18,836
31/12/2016	**19,835**	**175**	**18,593**	**3,967**	**140,478**	**18,836**	**-**	**(14,545)**	**187,339**
Distribution of results	-	-	-	-	3,630	(18,836)	661	14,545	-
Complementary dividend	-	-	-	-	-	-	(661)	-	(661)
Interim dividend year 2017	-	-	-	-	-	-	-	(15,868)	(15,868)
Recognised income and expenses	-	-	-	-	-	32,096	-	-	32,096
31/12/2017	**19,835**	**175**	**18,593**	**3,967**	**144,108**	**32,096**	**-**	**(15,868)**	**202,906**

Notes 1 to 17 described in the Report and Annexes I and II are part of the statement of changes in net equity for the financial year ended on 31 December 2017.

Translation from the original issued in Spanish.
In the event of discrepancy, the Spanish-language version prevails.

CEMENTOS MOLINS, S.A.

CASH FLOW STATEMENT FOR FINANCIAL YEAR ENDED ON 31 DECEMBER 2017

(in thousands of euros)

	Notes	Year 2017	Year 2016
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**30,036**	**19,973**
Results for the financial year before taxes		**30,581**	**20,526**
Adjustments to results		**(39,269)**	**(28,198)**
Amortisation of fixed assets	5 and 6	247	253
Valuation allowances due to impairment		-	(115)
Impairment and result for the transfer of fixed assets		-	(2)
Financial income and dividends		(41,813)	(31,241)
Financial expenses		2,297	2,907
Changes in working capital		**(815)**	**(678)**
Other cash flows from operating activities		**39,539**	**28,323**
Income tax		-	16
Collected financial income and dividends		41,857	31,244
Interests paid		(2,318)	(2,937)
CASH FLOWS FROM INVESTMENT ACTIVITIES (II)		**12,322**	**6,976**
Payments for investments:		**(225)**	**(547)**
Companies within the Group and associated companies		(29)	(500)
Intangible assets	5	(87)	(11)
Property, plant and equipment	6	(109)	(36)
Collections for divestitures:		**12,547**	**7,523**
Property, plant and equipment	6	21	-
Companies within the Group and associated companies		7,526	7,500
Other financial assets		5,000	23
CASH FLOWS FROM INVESTMENT ACTIVITIES (III)		**(33,371)**	**(26,848)**
Collections and payments for financial liability instruments		**(17,503)**	**(12,963)**
Debt issuance with credit entities and other debts		-	-
Debt repayment and amortisation with credit entities and other debts		(17,471)	(12,963)
Debt repayment with companies within the Group and associated companies		(32)	-
Payments for dividends and remunerations of other equity instruments		**(15,868)**	**(13,885)**
Dividends	3	(15,868)	(13,885)
NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS (I+II+III)		**8,987**	**101**
Cash or cash equivalents at the beginning of the year		**1,107**	**1,006**
Cash or cash equivalents at the end of the year		**10,094**	**1,107**

Notes 1 to 17 described in the attached report and Annexes I and II are part of the Cash Flow Statement for the financial year ended on 31 December 2017.

Cementos Molins, S.A.

Notes to the annual accounts for
the financial year ended on
31 December 2017

1. Identification and activity of the Company

CEMENTOS MOLINS, S.A. (hereinafter, the "Company"), was founded by means of public deed authorised by the Notary Public of Barcelona, Mr Cruz Usatorre Gracia, on 9 February 1928.

During this year, the Company has moved its registered office from its previous location in Sant Vicenç dels Horts (Barcelona), Carretera Nacional 340, numbers 2 to 38, km. 1,242.300, to its current location in Madrid, Calle Espronceda, number 38.

It is recorded in the Commercial Registry of Madrid, page M-660923. Its tax ID No. is A.08.017535.

It was incorporated for an indefinite term. Therefore, it remains in force as long as none of the dissolution circumstances mentioned in article 363 of the Companies Act concurs.

Its company object, as established in Article 2 of the bylaws, is:

a) The formation and operation of cement, lime and plaster plants. The manufacture of all manner of construction materials. The exploitation of clay, limestone and plaster quarries and deposits, and the formation and operation of companies to perform activities relating to these products;

b) Real estate activities;

c) The acquisition, ownership and disposal of movable property and marketable securities.

Currently, the only activity of the Company is the holding of shares in investee companies (holdings), as well as rendering services for them. In particular, for a Group of subsidiaries, Spanish and foreign, which develop their activities in the activity scope described in the corporate purpose of the Company.

The Company is the leader of a group of subsidiaries. According to the current legislation, it must separately prepare consolidated accounts under International Financial Reporting Standards, approved by the Regulations of the European Commission (IFRS-EU). The consolidated annual accounts of Cementos Molins Group for the financial year 2017 have been prepared by the Directors, at the meeting of their Board of Directors held on 27 February 2018. The consolidated annual accounts of the financial year 2016 were approved by the General Meeting of Shareholders held on 29 June 2017 and deposited in the Commercial Registry of Barcelona.

Therefore, these annual accounts refer to the Company individually and do not reflect the effects that would result from the application of consolidation criteria.

Below is the detail of the main magnitudes of the consolidated annual accounts:

(thousands of euros)

	2017	2016
Net Equity	**726,168**	**725,250**
Of the Parent Company	635,701	629,431
Of the Minority Shareholders	90,467	95,819
Net profit of the year	**113,431**	**80,661**
Of the Parent Company	89,078	63,869
Of the Minority Shareholders	24,353	16,792
Total assets	**1,271,050**	**1,311,199**
Net amount of the turnover	**645,620**	**561,204**

2. Bases for the presentation of annual accounts

Regulatory financial reporting framework applicable to the Company

These annual accounts have been formulated by the Directors in accordance with the regulatory financial reporting framework applicable to the Company, which is that established in:

a) The Spanish Commercial Code and other trade legislation.

b) The General Accounting Plan approved by Royal Decree 1514/2007, together with Royal Decrees 1159/2010 and 602/2016 by which some aspects of the GAP are modified, and its sectoral adaptations.

c) The mandatory rules approved by the Spanish Institute of Accounting and Auditing of Accounts to implement the General Accounting Plan and its supplementary regulations.

d) All other applicable Spanish accounting regulations.

Fair presentation

These annual accounts have been prepared from the accounting records of the Company and are presented in accordance with the applicable regulatory financial reporting framework and, in particular, with the accounting principles and criteria contained herein, in a way which gives a true and fair view of the equity, financial position and results of the Company as well as the cash flows of the corresponding financial year. These annual accounts have been prepared by the Directors of the Company at the meeting of the Board of Directors held on 27 February 2018, and they will be submitted to the General Meeting of Shareholders for approval. They are expected to be approved without modifications. In turn, the annual accounts for the financial year 2016 were approved by the General Meeting of Shareholders held on 29 June 2017.

Changes in the accounting criteria and information comparison

The accounting criteria applied in the years 2017 and 2016 has been uniform and, therefore, there are no operations or transactions registered following different accounting criteria that could lead to discrepancies in the interpretation of the comparative figures of both periods.

Currency

These annual accounts are expressed in euros, as this is the currency of the primary economic environment where the Company operates. Transactions in working currency other than the euro, are recorded according to the policies described in Note 4.

Non-mandatory accounting principles applied

Non-mandatory accounting principles were not applied. In addition, these annual accounts have been prepared by the Directors by applying all the mandatory accounting principles and standards that have a material effect on them. All mandatory accounting principles have been applied.

Critical issues concerning the valuation and estimation of uncertainty

Estimates made by the company's Directors have been used in the preparation of these consolidated annual accounts to value some of the assets, liabilities, income, expenditure and commitments recorded therein. Basically, these estimates refer to:

- The assessment of possible impairments losses of certain assets (see Notes 5 and 6).

- The recoverable amount of the equity interests held in Group companies and associates, as well as credits and amounts receivable with these companies (see Note 8).

- The hypotheses used in the actuarial calculation of the liabilities for pensions and other commitments with the staff (see Note 10).

- The useful life of property, plant and equipment, and intangible assets (see Note 4).

- The recovery of tax credits for negative taxable bases and for deferred tax for recorded assets (see Note 14).

- The assessment of contingent litigations, commitments, assets and liabilities at the closure of the year.

Despite the fact that these judgements and estimates have been performed according to the best possible information available on the events assessed as of 31 December 2017, it is possible that certain events (economic, changes to legislation, etc.) that may take place in the future, lead to their adjustment (upwards or downwards) in the coming financial years. Where appropriate, these will be performed prospectively, recognising the effects of the change in the estimate in the profit and loss account of the year in which they occur.

Grouping of entries

Certain items in the balance sheet, the profit and loss account and the statement of changes in net equity and cash flow statement are presented in group form in order to facilitate their understanding; nonetheless, to the extent that it is significant, the information has been broken down in the corresponding notes to the annual accounts.

Correction of errors

We have not detected any significant error in the preparation of these annual accounts which might require the restatement of the figures included in the annual accounts for the financial year 2016.

3. Distribution of profits and dividends

Distribution of profits

The proposal for the distribution of profits for the financial year 2017, prepared by the Directors of the Company, is the following:

(thousands of euros)

	2017
Basis for distribution (Individual):	
Profit and loss	32,096
Distribution:	
To dividends	16,529
To voluntary reserves	15,567

Dividends

On 11 January 2017, an interim dividend was paid for the financial year 2016 for 0.11 euros gross per share, which entailed a total disbursement of 7,273 thousand euros.

In addition, on 13 June 2017 a complementary dividend for the financial year 2016 was paid, of 0.01 euros gross per share. The disbursement totalled 661 thousand euros.

On 13 January 2017, an interim dividend was paid for the financial year 2017 for 0.12 euros gross per share, which entailed a total disbursement of 7,934 thousand euros.

In December, the Company agreed to pay, on 11 January 2018, 0.12 euros gross per share as a new interim dividend of the year 2017. The disbursement totalled 7,934 thousand euros.

A complementary dividend for the financial year 2017, of 0.01 euros per share, will be presented for approval by the General Meeting of Shareholders. The disbursement will be of 661 thousand euros.

The agreements of the General Meeting of Shareholders were made on 29 June 2017 and the agreements of the Board of Directors of the Parent Company were made on 22 December 2017.

The provisional liquidity statements prepared in accordance with the legal requirements established in Article 277 of the Spanish Limited Liability Companies Law, evidencing the existence of sufficient earnings and liquidity for the distribution of the interim dividends, are as follows:

(thousands of euros)

	Net profit	**Not drawn balances**
31/05/2017	26,222	55,412
30/11/2017	31,335	34,441

4. <u>Recording and valuation standards</u>

Based on the contents of Note 2, the Company has applied accounting policies in compliance with the accounting principles and standards contained in the Commercial Code, which are developed in the General Accounting Plan (GAP 2007), as well as with any other applicable trade legislation as of the end date of these annual accounts. In this sense, only those policies that are specific to the Company's activity and those considered significant to the nature of its activities are detailed below.

Intangible assets

As a general rule, intangible assets are initially valued at acquisition or production cost. Subsequently, they are valued at cost minus the corresponding accumulated amortisation and, where appropriate, the impairment losses they have suffered. These assets are depreciated over their estimated service life. When the useful lives of these assets can not be estimated reliably, they are amortised during a period of ten years.

<u>IT applications</u>

The Company records in this account the costs incurred in the acquisition and development of computer programmes, including the development costs of websites. Software maintenance expenses are charged to the profit and loss account for the financial year in which they are incurred. The amortisation of IT applications is carried out by applying the straight-line method for four years.

Property, plant and equipment

Property, plant and equipment are initially valued at acquisition or production cost. Subsequently they are decreased by the corresponding accumulated amortisation and impairment losses, if any, according to the criterion described below.

Repair and maintenance expenses related to the elements that form the property, plant and equipment entry are charged to the profit and loss account for the financial year in which they are incurred. However, sums invested in improvements of tangible assets, which increase their capacity or efficiency or lengthen their service lives, are registered as an increase in the cost of the asset.

For those PP&E elements that need more than one year to be in optimal use conditions, capitalised costs include financial expenses that have been accrued before the asset is put into operating conditions and that have been charged by the supplier or that correspond with loans or other kinds of external financing, whether specific or generic, directly attributable to the acquisition or manufacture of the asset.

In-house works carried out by the Company on its own assets are registered at their accumulated cost, resulting from adding internal costs, determined depending on their own consumption of materials and the direct labour force that has been used, to the external costs.

The Company depreciates the property, plant and equipment on a straight-line basis, applying annual depreciations percentages calculated depending on the estimated useful life of the relevant goods, according to the following details:

	Estimated useful life in years
Buildings	25 to 68
Machinery	16 to 20
Other facilities	7 to 20
Furniture	10
Computer processing equipment	4 to 8
Transport elements	6 to 8

Value impairment of property, plant and equipment and intangible assets

At the closure date of each balance, the Company assesses if there are any indications of value impairment recorded for PP&E and intangible assets with definite useful life. If any such indication exists, an estimate of the recoverable amount of these assets is made to determine the impairment loss incurred. Where the asset analysed does not generate cash flows that are independent from other assets, the Group estimates the fair value of the cash-generating unit to which the asset belongs.

Property, plant and equipment and intangible assets with indefinite useful lives not subject to systematic depreciation or amortisation are tested for impairment at least annually, or where there is an indication that the asset might have suffered an impairment loss.

The recoverable amount of an asset subject to impairment is the higher of fair value less costs to sell and value in use. In order to estimate the value in use, the future cash flows of the asset analysed (or of the cash-generating unit to which it belongs, if so) are discounted to their present value using a discount rate that reflects both the time value of money and the specific risk associated to the asset. When it is estimated that the recoverable amount of an asset is less than its carrying amount, the difference is recorded in item "Impairment and result from the disposal of PP&E" of the profit and loss account. Impairment losses recognised for an asset are reversed with a credit to this heading when the related recoverable amounts are expected to increase, thereby increasing the value of the asset up to the limit of the carrying amount that would have been determined had no impairment loss been recognised, except for goodwill, the impairment losses on which are not reversible.

Unrealised loss between the cost and the recoverable amount of these assets at the end of the financial year are recorded, where appropriate, to the assets which they refer.

Leases

Leases are classified as financial leases provided that their conditions show that the risks and benefits inherent to the ownership of the asset, subject matter of the contract, are substantially transferred to the leaseholder. Other leases are classified as operating leases.

Operational lease

Expenses derived from operating lease agreements are charged to the profit and loss account of the financial year in which they are accrued.

Any collections received or payments made upon arrangement of an operating lease are treated as advance payments and are taken to the income statement over the lease term, as the economic benefits of the leased assets are received or assigned.

Financial instruments

Financial assets

Classification

The Company's financial assets are classified into the following categories:

1. Loans and receivables: financial assets arising from the sale of goods or the provision of services through business operations; as well as financial assets which, not being commercial in origin, are neither equity instruments nor derivatives, and whose payment amounts are fixed or determinable and are not traded in an active market.

2. Investments in the equity of Group companies, associates and multigroup: group companies are those that the Company controls and associated companies are those over which the Company exercises a significant influence. Additionally, the multigroup category represents those companies over which, by virtue of an agreement, joint control is exercised with one or more partners.

Initial valuation

Financial assets are initially recognised at the fair value of the compensation received, plus the directly attributable transaction costs.

In the case of equity investments in group companies that grant control over the subsidiary, the fees paid to legal consultants or other professionals in relation to the acquisition of the investment are attributed directly to the profit and loss account.

Subsequent valuation

Loans and accounts receivable are valued by their amortised cost.

Investments in group companies, associates and multigroup are valued at cost minus, where applicable, the accumulated amount of value adjustments for impairment. Said adjustments are calculated as the difference between their carrying amount and the recoverable amount, the latter understood as the highest amount between its fair value minus the sales costs and the current value of the future cash flows derived from the investment. Except where there is better evidence about the recoverable value, the net equity of the Company the holding is in will be taken into account, corrected for any of tacit capital gains that exist on the evaluation date (including goodwill, if any).

At least at the closure of each financial year, the Company performs an impairment test for financial assets that are not recorded at fair value. It is considered that there is an objective evidence of impairment if the recoverable value of the financial asset is lower that its carrying amount. The method used by the Group to perform impairment tests for investments in Group companies and associates is based on financial projections that cover a finite temporary horizon, estimating, where appropriate, a permanent income on the last results of the projection for the following financial years. Projections are based on reasonable and substantiated hypotheses. When it takes place, this impairment is recorded in the profit and loss account.

The Company de-recognises a financial asset when the contractual rights to the cash flows from the asset have either expired or been transferred. The Company must also have substantially transferred the risks and rewards inherent to its ownership.

On the other hand, the Company does not de-recognise financial assets, and recognises a financial asset for an equal amount to the compensation received, in the transfer of financial assets where risks and rewards inherent to their property are substantially retained.

Financial liabilities

Financial liabilities are those debts and accounts payable the Company has and have originated in the purchase of goods and services from the Company's business activity, or those which, despite not having a commercial origin, cannot be considered as derived financial instruments.

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

The Company de-recognises financial assets when the obligations specified in the related contracts cease to exist.

Own equity instruments

An own equity instrument represents a residual interest in the Company's Net Equity, once all its liabilities have been deducted.

Equity instruments issued by the Company are recorded in net equity for the amount received, net from issuance expenses.

Own shares acquired by the Company during the financial year are recorded at the value of the compensation given in exchange, directly as a reduction in value of the Net Equity. Results derived from the purchase, sale, issue or amortisation of the own equity instruments are directly recognised in Net Equity. No results are recorded in the Profit and Loss account.

Cash and equivalent liquid assets

For the purposes of the determination of the cash flow statement, "Cash and other equivalent liquid assets" refer to the treasury of the Company and short-term bank deposits with an initial expiry of three months or less. The carrying amount of these assets approximates their fair value.

Foreign currency transactions

The Company's functional currency is the Euro. Therefore, transactions in other currencies are considered to be foreign currency transactions and they are recorded in accordance with the exchange rates in force on the transaction dates.

At the end of the financial year, monetary assets and liabilities denominated in foreign currency are converted using the exchange rate prevailing at the balance sheet date. Exchange rate profits or losses are charged directly to the profit and loss account for the period in which they are incurred.

Income tax

Company Tax paid or received includes both current tax expenses or income and deferred tax expenses or income.

Current tax is the amount that the Company pays in tax on the profits relating to a financial year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

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

Deferred tax liabilities are recognized for all taxable timing differences, except for those derived from the initial recognition of goodwill or of other assets and liabilities for transactions which do not affect tax or accounting results and are not a combination of businesses.

Deferred tax assets are only recognized to the extent that it is considered probable that the Company shall have future taxable profit that will allow the deferred tax asset to be recovered.

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

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. At each year end the deferred tax assets not recorded in the balance sheet are also assessed and these are recognized to the extent that their recovery with future tax benefits becomes probable.

Expense accrued from Company Tax is determined by taking into account the parameters that must be considered in the individual tax payment cases mentioned previously, and in accordance with the Resolution of 9 February 2016 of the Spanish Institute of Accounting and Auditing of Accounts, which develops the standards for the recording, valuation and preparation of the annual accounts for the accounting of Income Tax, and additionally by the following:

- Permanent and temporary differences resulting from the elimination of results derived from the determination process of the consolidated taxable base.

- Deductions and bonuses that correspond to each company of the fiscal group in the company groups scheme; for this purpose, deductions and bonuses are attributed to the company who performs the activity or that obtains the necessary performance to obtain the entitlement to the tax deduction or bonus.

- Regarding negative tax results from some of the companies in the tax group which have been offset by the other companies of said group, according to the aforementioned, a receivable account is created with the tax group. Regarding the negative tax results not compensated by the companies of the fiscal group, the company that has to record a deferred tax asset according to the criterion mentioned before.

The Company is the head of a group of companies under the Tax Consolidation Scheme (see Note 14).

Income and expenses

Income and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. This income is measured at the fair value of the consideration paid, minus discounts and taxes.

Recognition of sales income is performed when the significant risks and benefits inherent to the ownership of the sold asset have been transferred to the buyer. Therefore, there is no ongoing management on said asset, nor effective control over it.

Interests received from financial assets are recognised using the effective interest rate method; dividends are recognised when the right to receive them is declared. Interest and dividends from financial assets accrued after acquisition are recognized as income in the profit and loss account.

The Company, in accordance with BOICAC 79, related to the registration of certain income (dividends, income from loans to related companies, etc.) for companies whose business purpose is the holding of financial interests, reflects, income from dividends from the holdings in Group companies and associates as the highest amount of heading “Net turnover” in the profit and loss account.

Provisions and contingencies

In the preparation of the annual accounts, the Directors of the Company differentiate between:

Provisions

Creditor balances that cover current obligations derived from past events. Their settlement is most likely to cause an outflow of resources, but these are undetermined when it comes to their amount and/or settlement time.

Contingent liabilities

Possible obligations arising from past events, whose future materialisation is conditioned by one or more events happening, or not, independently from the Company's will.

The annual accounts include all the forecasts according to which it is estimated that it is more than likely that the obligation will have to be met. Contingent liabilities are not recognised in the annual accounts. They are indicated in the notes, in the extent they are not considered to be remote.

Provisions are valued at the current value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking into account the information available on the event and its consequences, recording any adjustments that result from the updating of said provisions as a financial cost as they are accrued.

The compensation to be received from a third party when settling the obligation, provided that there are no doubts that this repayment will be received, is recorded as an asset, except where there is a legal relationship whereby part of the risk has been externalized, and by virtue of which the Company is not required to respond; in this situation, the compensation will be taken into account when estimating the amount, where appropriate, of the corresponding provision.

Dismissal benefits

In accordance with prevailing legislation, the Company is obliged to pay indemnities to employees if they are dismissed under certain circumstances. Therefore, dismissal benefits that may be reasonably quantified are recorded as expenses in the year the decision was made and a valid expectation is raised before third parties regarding the dismissal. No provision has been recorded in these annual accounts, as no situations of this nature are expected.

Assets of an environmental nature

Environmental assets are those which are continually used in the company's operations for the primary purpose of minimizing the environmental impact of the company's activities and protecting or improving the environment, including the reduction or elimination of future contamination.

Given its activities, the Company does not have any responsibilities, expenses, assets, provisions or contingencies of an environmental nature that may be significant regarding the equity, financial position or results of the Company. For this reason, the specific breakdowns are not included in this report.

Pension commitments

Pension obligations with employees are strictly those established in current collective agreements instrumentalised through pension plans provided for in Law 8/87. These are of defined contribution and the total amounts provided are recorded in item "Pension plan contributions", within the staff expenses heading.

Defined contribution obligations are limited to retirement pensioners before the commitment became a collective agreement for defined contribution.

Assessment criteria

The amount of the defined retirement benefit obligations was determined using the following techniques:

- Calculation method: the calculation method used in the actuarial valuations has been the "projected unit credit method". The value of the pension obligations is calculated on the basis of the present value of the benefit obligations and takes into account the number of years of service by employees.

- Actuarial assumptions used: unbiased and mutually compatible.

- The estimated retirement age for each employee is the first one they are entitled to according to labour and social security regulations in force, considering, where appropriate, the labour agreements that may be reached from time to time within the legal framework in effect.

Regular contributions of the financial year, basically comprised by normal cost and, where appropriate, the risk premium, are accounted with credit to the profit and loss account of the financial year.

On the date of the balance sheet, the positive difference between the current value of the defined benefit obligations and the reasonable value of the supporting assets is recognised as a liability in the balance sheet. If this difference were negative, it would be recorded as an asset in the balance sheet, only for the part corresponding with the current value of any future financial benefit that could be available in the form of reimbursements from the plan, or reductions of future contributions to the plan.

Related-party transactions

All of the Company's related-party transactions are carried out at market rates. Transfer prices are properly supported, and therefore the Company Directors consider that no significant risks exist for this concept from which future liabilities could arise.

Current and non-current items

In the attached balance sheet, balances are classified as non-current and current. Current balances comprise those that the Company expects to sell, consume, liquidate or realise in the normal operating cycle, and those whose maturity, disposal, realisation or extinction are expected to happen in a maximum period of one year, as well as cash and other equivalent liquid assets. The remaining balances are classified as non-current.

Cash flow statement (indirect method)

In the cash flow statement, the following expressions are used in the following ways:

- Cash flows: inflows and outflows of cash and equivalent financial assets, which comprise current investments with high liquidity and low risk of changes in their value.

- Operating activities: typical activities of the company's operation, as well as other activities that cannot be classified as investment of financing.

- Investment activities: those of acquisition, disposal or removal by other means, of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that produce changes in the size and composition of equity and liabilities that are not part of the operating activities.

5. Intangible assets

The transactions under this heading of the balance sheet during the financial year 2017, as well as the most relevant information that affects this heading, have been:

(thousands of euros)

Account	Balance 31/12/2016	Acquisitions or Amortisations	Withdrawals or Reductions	Transfers	Balance 31/12/2017
IT applications	**10**				**90**
Cost	**11**	87	-	-	**98**
Accumulated amortisation	**(1)**	(7)	-	-	**(8)**

(thousands of euros)

Account	Balance 31/12/2015	Acquisitions or Amortisations	Withdrawals or Reductions	Transfers	Balance 31/12/2016
IT applications					**10**
Cost	**-**	11	-	-	**11**
Accumulated amortisation	**-**	(1)	-	-	**(1)**

There are no relevant investment commitments in the intangible fixed assets as of 31 December 2017 and 31 December 2016.

Likewise, the Company does not have any elements of the intangible fixed assets amortised and still in use as of 31 December 2017 and 2016.

6. Property, plant and equipment

The transactions under this heading of the balance sheet during financial years 2017 and 2016, as well as the most relevant information that affects this heading have been:

(thousands of euros)

Account	Balance 31/12/2016	Acquisitions or Amortisations	Withdrawals or Reductions	Transfers	Balance 31/12/2017
Land and buildings	**8,285**				**8,151**
Cost	11,635	28	-	-	11,663
Accumulated amortisation	(3,350)	(162)	-	-	(3,512)
Technical inst. and machinery	**113**				**80**
Cost	3,730	1	-	-	3,731
Accumulated amortisation	(3,617)	(34)	-	-	(3,651)
Furniture	**119**				**105**
Cost	1,149	11	-	-	1,160
Accumulated amortisation	(1,030)	(25)	-	-	(1,055)
Computer processing equipment	**33**				**42**
Cost	41	18	-	2	61
Accumulated amortisation	(8)	(11)	-	-	(19)
Transport elements	**31**				**37**
Cost	53	35	(36)	-	52
Accumulated amortisation	(22)	(8)	15	-	(15)
Current fixed assets and advanced	**2**				**16**
Cost	2	16	-	(2)	16
Total	**8,583**				**8,431**
Cost	**16,610**	**109**	**(36)**	**-**	**16,683**
Accumulated amortisation	**(8,027)**	**(240)**	**15**	**-**	**(8,252)**

(thousands of euros)

Account	Balance 31/12/2015	Acquisitions or Amortisations	Withdrawals or Reductions	Transfers	Balance 31/12/2016
Land and buildings	**8,449**				**8,285**
Cost	11,635	-	-	-	11,635
Accumulated amortisation	(3,186)	(164)	-	-	(3,350)
Technical inst. and machinery	**102**				**113**
Cost	3,725	5	-	-	3,730
Accumulated amortisation	(3,623)	(45)	-	51	(3,617)
Furniture	**192**				**119**
Cost	1,142	7	-	-	1,149
Accumulated amortisation	(950)	(29)	-	(51)	(1,030)
Computer processing equipment	**16**				**33**
Cost	18	23	-	-	41
Accumulated amortisation	(2)	(6)	-	-	(8)
Transport elements	**40**				**31**
Cost	96	-	(43)	-	53
Accumulated amortisation	(56)	(8)	42	-	(22)
Current fixed assets and advanced	**1**				**2**
Cost	1	1	-	-	2
Total	**8,800**				**8,583**
Cost	**16,617**	**36**	**(43)**	**-**	**16,610**
Accumulated amortisation	**(7,817)**	**(252)**	**42**	**-**	**(8,027)**

As of 31 December 2017 and 2016, the heading “Land and buildings” includes 2,638 thousand euros, in both years, that correspond with land.

At the end of the financial years 2017 and 2016, the Company has elements of PP&E that are completely amortised and still in use, for an amount of 4,210 and 4,099 thousand euros respectively.

As of 31 June 2017, commitments for investments in property, plant and equipment add up to 24 million euros. At the end of the year 2016, there were no commitments under this heading.

On 31 December 1996, the Company revaluated its property, plant and equipment under Royal Decree-law 7/1996 of 7 June. The 1996 revaluation was made by applying the maximum coefficients authorised by this law. The majority of the revaluated assets were provided by Cementos Molins Industrial, S.A.U. on 1 January 1997. The revaluation value of the assets that remain in the Company amounted to 1,857 thousand euros.

The Company has insurance policies in place to cover the possible risks to which the various elements of its property, plant and equipment are subject, as well as possible claims that may arise from the exercise of its activity, understanding that said policies sufficiently cover risks to which they are subject.

7. Leases

Operating leases

At the end of the financial years 2017 and 2016, the Company has the following minimum lease payments with lessors, according to the agreements in force, without considering common expenses, future increases from CPI, nor future revaluation of contractually agreed rent:

(thousands of euros)

Minimum payments Operating Leases	Nominal value 2017	Nominal value 2016
Less than a year	107	213
One to five years	152	204
More than five years	-	-
Total	**259**	**417**

The amount for operating lease payments recognised as expenses in the financial years 2017 and 2016 have been:

(thousands of euros)

	2017	2016
Minimum payments for leases	213	181
Paid contingent payments	22	54
Net total	**235**	**235**

The company does not have any relevant operating lease agreements.

Financial leases

The Company has not held any financial lease agreements during financial years 2017 and 2016.

8. Long-term financial investments

The balance of heading "Long-term financial investments" at the end of the financial years 2017 and 2016 is the following:

(thousands of euros)

Year 2017	**Classes**		
Categories	**Equity Instruments**	**Credits and Other**	**Total**
Investments in companies within the Group and associated companies	223,082	-	223,082
Investments in other companies	49	-	49
Receivables and loans to companies within the Group (Note 16)	-	25,152	25,152
Receivables and loans to third parties	-	9	9
Fixed Term Deposits	-	-	0
Long term deposits	-	17	17
Total	**223,131**	**25,178**	**248,309**

(thousands of euros)

Year 2016	Classes		
Categories	Equity Instruments	Credits and Other	Total
Investments in companies within the Group and associated companies	223,053	-	223,053
Investments in other companies	49	-	49
Receivables and loans to companies within the Group (Note 16)	-	31,193	31,193
Receivables and loans to third parties	-	9	9
Fixed Term Deposits	-	-	0
Long term deposits	-	17	17
Total	**223,102**	**31,219**	**254,321**

Investments in Group companies, multigroup and associates

The information related to group companies and associates as of 31 December 2017 and 31 December 2016 is the following:

Year 2017

(thousands of euros)

Name / Activity	Participation %	Capital	Net Result	Remainder of Equity	Total Equity	Net value according to the books
CEMENTOS MOLINS INDUSTRIAL, S.A.U. / Cement	100	56,247	(3,911)	82,719	135,055	87,164
PROMOTORA MEDITERRÁNEA-2, S.A. / Concrete and aggregates	98.94	36,148	987	45,667	82,802	45,159
PREFABRICACIONES Y CONTRATAS, S.A.U. / Prefabricated elements	100	56,577	880	(5,961)	51,496	55,728
PROPAMSA, S.A.U. / Building materials	100	469	1,771	19,694	21,934	4,376
CEMOLINS INTERNACIONAL, S.L.U. / Holding	100	30,468	77,728	234,898	343,094	25,393
CEMOLINS SERVICIOS COMPARTIDOS, S.L.U. / Services	100	2,037	(366)	(45)	1,626	2,037
PORTCEMEN, S.A. / Services	33.33	3,736	90	136	3,962	1,320
MINUS INVERSORA, S.A. / Holding	4	534	13,320	21,196	35,050	1,905
						223,082

Year 2016

(thousands of euros)

Name / Activity	Participation %	Capital	Net Result	Remainder of Equity	Total Equity	Net value according to the books
CEMENTOS MOLINS INDUSTRIAL, S.A.U. / Cement	100	56,247	(450)	85,348	141,145	87,164
PROMOTORA MEDITERRÁNEA-2, S.A. / Concrete and aggregates	98.94	36,148	(8,248)	53,937	81,837	45,159
PREFABRICACIONES Y CONTRATAS, S.A.U. / Prefabricated elements	100	56,577	(5,721)	(164)	50,692	55,728
PROPAMSA, S.A.U. / Building materials	100	469	1,104	18,608	20,181	4,376
CEMOLINS INTERNACIONAL, S.L.U. / Holding	100	30,468	59,701	214,892	305,061	25,393
CEMOLINS SERVICIOS COMPARTIDOS, S.L.U. / Services	100	2,037	(74)	29	1,992	2,037
PORTCEMEN, S.A. / Services	33.33	3,736	343	(208)	3,871	1,291
MINUS INVERSORA, S.A. / Holding	4	325	9,491	21,810	31,626	1,905
						223,053

The recoverable amount of the investments in Group companies has been calculated taking into account their individual underlying book value, to the exception of the investment in the company Prefabricaciones y Contratas, S.A.U., whose recoverable amount has been assessed by determining the actual value of the flows arising from said investments, calculated as follows:

- The term in which it is estimated that the investment will generate flows has been determined (taking into account a finite horizon).

- The necessary income and expenses projections have been carried out, based on the following general criteria:

    - As for the income, the future estimates of the Group's Management have been taken into account to estimate the evolution of the production. Regarding sales prices, its evolution has been estimated by the Group's Management based on their knowledge on the market of the geographical area over which the investee has influence.

    - As for the expenses, their evolution has been considered based on the expected progress of the corresponding CPI, as well as based on the projected evolution of the activity.

- Likewise, the impact of the investments to be carried out on maintenance and on the improvement of the facilities has been taken into account by suing the best possible estimates based on the experience of the company and taking into account the projected evolution of the activity.

- A permanent income or a multiple over the last result of the projection has been considered for the coming years.

The cash projections obtained from the income and expenses projections carried out based on the criteria previously stated have been updated to the reasonable discount rate. In this sense, the impairment tests carried out have not resulted in the need to register any impairment at the end of the fiscal years 2017 and 2016.

The detailed information on the accrued decline in value of the participations in group companies as of 31 December 2017 and 2016 is the following:

(in thousands of euros)

	2017	2016
Portcemen, S.A.	3,967	3,996
	3,967	**3,996**

During the fiscal years ended on 31 December 2017 and 2016, the Company has registered a reversion of the previous impairment of 29 and 115 thousands of euros, respectively.

During the financial years 2017 and 2016, Cementos Molins, S.A. has received dividends from the following investee companies:

(thousands of euros)

Company	2017	2016
Cemolins Internacional, S.L.U.	40,000	29,000
Minus Inversora, S.A.	77	94
Total (Note 15)	**40,077**	**29,094**

Receivables and loans to Group companies and third parties

The breakdown by maturity of the items “Loans and amounts receivable from Group companies and third parties” which are part of the heading “Long-term financial investments” in financial years 2017 and 2016 are the following:

(thousands of euros)

Year 2017	2019	2020	Remainder	Total
Receivables and loans to companies within the Group	7,500	7,500	10,152	25,152
Receivables and loans to third parties	5	4	-	9
Total	**7,505**	**7,504**	**10,152**	**25,161**

(thousands of euros)

Year 2016	2018	2019	Remainder	Total
Receivables and loans to companies within the Group	7,500	7,500	16,193	31,193
Receivables and loans to third parties	4	4	1	9
Total	**7,504**	**7,504**	**16,194**	**31,202**

The total amount of loans to Group companies corresponds with a loan to Cementos Molins Industrial, S.A.U. for 30.0 million euros, of which 7.5 million euros have been reclassified into Short Term. Cementos Molins, S.A. received a loan from the European Investment Bank (EIB) for an amount of 60.0 million euros. Its price and term conditions are described in detail in Note 11 “Long-Term Financial Liabilities”. This loan is destined to the partial financing of the investment made in the production facilities of Sant Vicenç dels Horts, which belong to the company Cementos Molins Industrial, S.A.U., who is the final recipient of the funds.

The most significant information related to Group companies, multigroup and associates at the end of the financial year 2017, is shown in Annexes I and II of these Annual Accounts.

On their part, securities held by the Company have an undefined term.

Information regarding the nature and level of risk of the financial instruments

The Company has not kept any derivative financial instrument during the financial years 2017 and 2016.

The management of the financial risks of the Company is centralised in the Financial Management of the Cementos Molins Group, who has the necessary mechanisms to control the exposure to changes in interest and exchange rates, as well as credit and liquidity risks. Indicated below are the main financial risks that impact the Company:

Credit risk

The Company generally holds its cash and equivalent liquid assets in banks with a high credit rating.

Liquidity risk

To ensure liquidity and to be able to meet all payment commitments derives from its activity, the Company has the treasury shown in its balance sheet, as well as the credit and financing lines detailed in Note 11.

Market risk

Both the treasury and the financial debt of the Company are exposed to the interest rate risk, which could have an adverse effect on the financial profits and cash flows. For this reason, the Company follows a policy that indicates that part of its financial debt must bear fixed interest rates at all times.

9. Net equity and own funds

Share capital

The share capital of Cementos Molins, S.A., as of 31 December 2017 and 31 December 2016, is represented by 66,115,670 bearer shares with a nominal value of 30 cents each, fully subscribed and paid-up.

At the end of the financial years 2017 and 2016, shareholding companies of the Parent Company with a subscribed capital equal to or greater than 10% were:

	31/12/2017	**31/12/2016**
Otinix, S.L.	32,968%	32,968%
Noumea, S.A.	32,068%	32,101%
Cartera de Inversiones C.M., S.A.	24,038%	24,038%

A part of the shares mentioned above are syndicated by virtue of the Vote and Shares Syndication Agreement signed on 17 December 2015, by the syndicated shareholders of Cementos Molins, S.A. This agreement has been published in full on the websites of the CNMV and Cementos Molins Group. The significant shareholders intervening in the agreement, and their corresponding participation in said agreement, are the following:

Intervening parties in the shareholders' agreement	**% of the Affected Share Capital**
Otinix, S.L.	32.968%
Noumea, S.A.	23.441%
Cartera de Inversiones C.M., S.A.	24.038%

All of Cementos Molins, S.A.'s shares are listed on the Barcelona Stock Exchange.

Issue premium

The balance of the account “Issue premium” arose from the increases in share capital that took place on the 31 July 1950 and 30 December 1968.

The Company law expressly allows the use of the balance of the “Issue premium” account to increase the company’s capital and it does not establish any specific limitations as to the availability of this balance.

Revaluation reserves

This item of the company's own funds is due to different revaluations carried out in previous years, among which is the one from 1996.

The capital gain resulting from the revaluation of 1996, net from the single 3% tax, was destined to the account "Revaluation reserve Royal Decree-law 7/1996 of 7 June".

The balance of this reserve can be destined, free of tax, to offset losses, both those accumulated from previous years and those of the year itself, or those that may arise in the future, as well as to increase the share capital. Since 1 January 2007, it can be destined to unrestricted reserves, provided that the monetary capital gain has been realised. The capital gain will be understood as realised in the part corresponding to the amortisation accounted for or when the revaluated equity elements have been transferred or de-recognised in the books.

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 by the amount exceeding 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.

As of 31 December 2017 and 2016, said reserve is fully constituted.

Limitations to the distribution of dividends

There are no limitations to the distribution of dividends on behalf of the Company as of 31 December 2017 and 31 December 2016.

10. Pension plans

In 1990, two pension plans were construed under Law 8/1987 and Royal Decree 1307/1988, one for staff in active employment and one for retired staff.

The plan for staff in active employment is of defined contribution. All staff members are adhered to it. The contribution of the company in the financial year 2017 was 117 thousand euros, 91 thousand euros in 2016. These are accounted for in staff expenses.

The pension plan for retired employees is a defined benefit plan and is limited to the group of pensioners who retired before the obligation in the collective agreement became a defined contribution pension plan. The Company is committed to carrying out the necessary annual contributions to ensure the pension with a certain solvency margin. During the year 2017, the contributions have added up to 9 thousand euros. In 2016, no contributions were necessary. As of 31 December 2017 and 2016, no commitment will have been made to an additional contribution unless there are further changes to the expectations of the plan.

There are no specific risks related to the plan beyond the possible unfavourable evolution of the investments, which are for the most part mitigated by the solvency margin of the pension plan.

The actuarial-financial assumptions used in 2017 to quantify the actuarial liability and the mathematical provisions, pursuant to the applicable legislation on pension plans and funds, were the following:

- Technical interest rate 1.30%
- Annual rate of revaluation of pensions: 2%
- Mortality tables: PERM/F-2000C

The total number of participants and beneficiaries of the contribution and benefit plans defined for the year 2017 has been 339 and for the year 2016 it was 330. The assets funding the obligations have amounted to 10,126 thousand euros, and in the year 2016 they amounted to 10,082 thousand euros. As of 31 December 2017, the assets are distributed as follows: 79.18% in fixed income investments, 19.36% in equity investments and the remaining 1.46% in monetary assets. As of 31 December 2016, the assets were distributed as follows: 78.06% in fixed income investments, 14.91% in equity investments and the remaining 7.03% in monetary assets.

In the financial year 2006, the Group implemented a social security system with the aim of improving the social benefits of the executives of the Group companies. The contributions will be determined annually and, therefore, at all times and in the way established in the Regulations, the Directors will be able to suspend or cancel them unilaterally.

The contribution made in Cementos Molins, S.A. in the financial year 2017 has been 236 thousand euros. The contribution made in 2016 was of 274 thousand euros.

The variation of the current value of the benefit plans obligation defined for the financial years 2017 and 2016 is the following:

(in thousands of euros)

	2017	2016
Current value of the committed remunerations as of 1 January	**663**	**679**
Financial expenses for the update of provisions	15	23
Payments of plan benefits	(54)	(66)
Actuarial losses	18	27
Current value of the committed remunerations as of 31 Decembe	**642**	**663**

The changes in the fair value of the assets subject to the plan during the financial years 2017 and 2016, are the following:

(in thousands of euros)

	2017	2016
Fair value of plan assets as of 1 January	**679**	**729**
Expected return	15	25
Payments for liabilities	(54)	(65)
Return of plan assets	(7)	(10)
Fair value of plan assets as of 31 December	**633**	**679**

The estimated average weighted term of the obligations of the defined benefit plan of Cementos Molins is expected to be less than 20 years.

The contributions to the pension plans in 2018 are expected to be similar to those made in 2017.

11. Long and short term financial liabilities

Long-term financial liabilities

The balance of heading "Long-term debts" at the end of the financial years 2017 and 2016 is the following:

(thousands of euros)

Year 2017	**Classes**		
Categories	**Debts to Entities of credit**	**Others**	**Total**
Debits and accounts payables	22,496	1	22,497
Debits and accounts payables to companies within the group (Note 16)	-	38,187	38,187
Total	**22,496**	**38,188**	**60,684**

(thousands of euros)

Year 2016	**Classes**		
Categories	**Debts to Entities of credit**	**Others**	**Total**
Debits and accounts payables	39,837	-	39,837
Debits and accounts payables to companies within the group (Note 16)	-	38,220	38,220
Total	**39,837**	**38,220**	**78,057**

All the liabilities described in the table above correspond to "Debts and other accounts payable", and no instruments such as "Financial liabilities at fair value" are maintained nor designated by the Company. In this sense, debts with financial entities maintained by the Company have been contracted under market conditions. Therefore, their fair value does not differ significantly from their carrying amount.

The breakdown by maturity of items which are part of the heading “Long-term debts” are the following:

(thousands of euros)

Year 2017	2019	2020	Remainder	Total
Debts with credit entities	7,500	7,500	7,496	22,496
Debts to companies within the Group	-	37,800	388	38,188
Total	**7,500**	**45,300**	**7,884**	**60,684**

(thousands of euros)

Year 2016	2018	2019	Remainder	Total
Debts with credit entities	15,506	9,332	15,000	39,838
Debts to companies within the Group	-	37,800	420	38,220
Total	**15,506**	**47,132**	**15,420**	**78,058**

On 11 May 2009, a loan agreement was entered into with European Investment Bank (EIB) for an amount of 60 million euros, which was completely drawn down as of 31 December 2009. As of 31 December 2017, the outstanding amount of said loan is 30.0 million euros, with maturity in December 2021, of which 7.5 million euros are recorded in the short term. Said debt has a fixed interest rate with a maturity between 2014 and 2021, referenced at rates that are between 2.91% and 3.51% respectively, plus a market spread.

The amount for long-term debts with group companies includes the loan of 37.8 thousand euros granted by the company of the group Promotora Mediterránea-2, S.A. with maturity in the financial year 2019, and which accrued an interested of 1.06% in the financial year 2017 and 1.17% in 2016. The maturity of this loan is extended tacitly, unless either party states otherwise at least one month in advance. The Directors of the lending company have stated that they will not require the repayment of said loan during the next twelve months. Consequently, the Company records the entire loan as long-term debt. The remainder, an amount of 388 thousand euros, corresponds to the debt of the Company as the Parent Company, with the other companies that comprise the Tax Consolidation Group (Note 16).

Short-term financial liabilities

The balance of heading “Short-term debts” at the end of the financial years 2017 and 2016 is the following:

(thousands of euros)

Year 2017	**Classes**		
Categories	**Debts with Credit Entities and Financial Leases**	**Others**	**Total**
Debits and accounts payables	7,640	-	7,640
Other	-	7,937	7,937
Total	**7,640**	**7,937**	**15,577**

The 7,937 thousand euros from the item “Other” mainly correspond to the interim dividend that the Company agreed to pay on 11 January 2018 and which has been settled before the drafting of these annual accounts (Note 3).

(thousands of euros)

Year 2016	**Classes**		
Categories	**Debts with Credit Entities and Financial Leases**	**Others**	**Total**
Debits and accounts payables	7,790	-	7,790
Other	-	7,277	7,277
Total	**7,790**	**7,277**	**15,067**

The 7,277 thousand euros from the item “Other” mainly correspond to the interim dividend that the Company agreed to pay on 11 January 2017 (Note 3).

The Company has credit facilities with the following limits:

(thousands of euros)

	2017		2016	
	Limit	Amount not drawn	Limit	Amount not drawn
Discount lines				
Loan agreement	20,400	20,400	44,500	34,520
Total	**20,400**	**20,400**	**44,500**	**34,520**

Due to the renegotiation of the contractual conditions, the Company has certain long-term credit facilities with maturity dates between 2018 and 2020.

The average interest rate for the credit facilities for the financial year 2017 has been 1.10% (1.29% for 2016).

12. Information on deferred payments to suppliers. Third additional provisions "duty of information" of Law 15/2010 of 5 July

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2017	2016
	Days	Days
Average supplier payment period	33	35
Ratio of transactions paid	36	37
Ratio of transactions pending payment	21	13
	Thousands of Euros	Thousands of Euros
Total payments made	4,011	3,832
Total pending payments	1,062	414

In accordance with the resolution of the ICAC, the trade transactions corresponding with the delivery of goods or rendering of services accrued since the effective date of Law 31/2014 of 3 December have been considered in the calculation of the average payment period to suppliers.

For the sole purpose of providing the information contained in this Resolution, suppliers are those trade creditors for debts with suppliers of goods or services, included in header "Trade creditors" of the current liabilities in the balance sheet.

"Average supplier payment period" is understood to be the period between the delivery of the goods or the provision of services by the supplier and the material payment of the transaction.

13. Commitments and guarantees

On 19 December 2007, a long-term loan agreement was entered into by Cemolins Internacional Group, S.L.U. for an amount of 70 million euros to partly finance investments abroad. In successive negotiations, the loan was increased to 130 million euros, maturing on 30 June 2021 of which 38.75 million euros were left outstanding as of 31 December 2017 (48.75 million euros as of 31 December 2016). Cementos Molins, S.A. acts as the guarantor of these transactions.

On 11 May 2009, Cementos Molins, S.A. signed a loan agreement with the European Investment Bank (EIB) for 60 million euros to finance the construction of a new production line located in the facilities of Sant Vicenç dels Horts. As of 31 December 2017, the outstanding balance of this loan amounts to 30.0 million euros (37.5 million euros as of 31 December 2016). In connection to this loan from the EIB, Cementos Molins, S.A. entered into financial counter-guarantee agreement with a financial entity acting as guarantor of the transaction.

On 30 July 2013, a loan agreement was entered into by Cementos Molins Group Industrial, S.A.U with a financial institution amounting 25 million euros with a repayment period of 5 years, to finance investments in Spain. As of 31

December 2017, the outstanding balance of this loan amounts to 14 million euros (18 million euros as of 31 December 2016). Cementos Molins S.A. is the guarantor of this transaction.

In July and October 2015, two loan agreements were entered into by Cemolins Internacional Group, S.L. with a bank institution for an amount of 20 million euros each to finance investments in foreign countries. As of 31 December 2017, the balances drawn down of these loans were 13.9 million euros and 20 million euros, respectively (17.4 and 8 million euros as of 31 December, respectively). Cementos Molins, S.A. acts as the guarantor of these transactions.

In July 2015, a loan agreement was entered into by Cemolins Internacional Group, S.L. with a bank institution for an amount of 40 million euros to finance investments in foreign countries. As of 31 December 2017, the balance drawn down of this loan is 40 million euros (20 million euros as of 31 December 2016). Cementos Molins, S.A acts as the guarantor of this transaction.

On 23 November 2015, the subsidiary Itacamba Cementos S.A., located in Bolivia, entered into a syndicated loan agreement for an amount of 835 million bolivians, to partly finance the construction of a new cement plant. Cementos Molins, S.A. has committed to guarantee, through a 50% joint security, the compliance of the obligations assumed by Itacamba Cemento S.A. by virtue of the syndicated loan agreement, until the mentioned cement plant is put into service. As of 31 December 2017, this guarantee is still in force.

14. Public Authorities and tax situation

Current balances with Public Authorities

Current balances with Public Authorities inside the balance sheet heading “Trade creditors and other payables” are comprised by the following:

Payable balances

(thousands of euros)

	2017	2016
Bodies with Social Security as Creditor	37	31
Public Treasury Creditor for IRPF (income tax)	465	460
Total	**502**	**491**

Receivable balances

(thousands of euros)

	2017	2016
Public Treasury debtor of VAT	133	168
Public Treasury debtor of Corporate Tax	3,697	2,411
Public Treasury debtor of other concepts	58	148
Total	**3,888**	**2,727**

Consolidated tax

The Company pays tax within the consolidated tax scheme since the financial year 1997. The group number assigned by the Tax Agency is 70/97. The group of companies that pay tax in this scheme in the year 2017 is comprised by the following companies:

Parent company: Cementos Molins, S.A.

Subsidiaries: Cementos Molins Industrial, S.A.U.

Cemolins Internacional, S.L.U.

Prefabricaciones y Contratas, S.A.U.

Promotora Mediterránea-2, S.A.

Propamsa, S.A.U.

Monsó-Boneta S.L.

Cemolins Servicios Compartidos, S.L.U.

The Company accounted the effects of the tax consolidation following the regulation framework in force.

Reconciliation between the accounting result and the taxable base

The reconciliation between the accounting result and the taxable base of the Company Tax for the financial year 2017 is the following:

(in thousand of euros)

	Increases	Decreases	Total
Accounting results before tax			30,581
Permanent differences:	375	(40,077)	(39,702)
Temporary differences:			
- Originated in the financial year:	904	-	904
- Originated in past financial years:	410	(27)	383
	1,689	(40,104)	(7,834)
			(1,959)
			(148)
			(3,697)
			(3,697)

The Company mainly recorded as a permanent difference the amount of the dividend received from Cemolins Internacional, S.L.U, which was of 40,000 thousand euros.

The reconciliation between the accounting result and the taxable base of the Company Tax for the financial year 2016 is the following:

(in thousand of euros)

	Increases	Decreases	Total
Accounting results before tax			20,526
Permanent differences:	361	(29,094)	(28,733)
Temporary differences:			
- Originated in the financial year:	684	-	684
- Originated in past financial years:	-	(27)	(27)
	1045	(29,121)	(7,550)
			(1,888)
			(353)
			(1,223)
			(1,223)

The Company mainly recorded as a permanent difference the amount of the dividend received from Cemolins Internacional, S.L.U, which was of 29,000 thousand euros.

The reconciliation between the accounting result and the tax base of the Company Tax shown in the Annual Accounts of the year 2016 differs from the one in these Annual Accounts, since the reconciliation shown in these Annual Accounts has been matched to the settlement of the Corporate Tax submitted before the tax Authorities. In particular, the permanent differences decreased in 5 thousand euros and the tax deductions generated and not applied amounted, finally, to 353 thousand euros. This increase is due, mainly, to the deduction for international double taxation.

Reconciliation between accounting result and the expense for company tax

The reconciliation between the accounting result and the expense for Company Tax for the financial years 2017 and 2016 is the following, in thousands of euros:

Thousands of euros	2017	2016
Accounting results before tax	30,581	20,526
Quota at 25%	7,645	5,132
Impact of permanent differences	(9,926)	(7,183)
Deferred tax	103	-
Deferred tax assets not recognised in the books	2,134	1,699
Deductions:		
Donations	146	140
International Double Taxation	-	212
Deduction for reversion amortisation limit	1	1
Other adjustments	1,412	(1,690)
(Expense)/Deposit for Corporate Tax	**1,515**	**(1,690)**

The deposit for Company Tax registered in 2017 and included in the item "Other adjustments" is comprised by:

- Deposit of 1,465 thousand euros that correspond to consolidated Company Tax.
- Expense of 155 thousand euros that correspond to taxes paid abroad.
- Deposit of 103 thousand euros that correspond to the reverse of part of they liabilities for deferred tax in the year 2016 due to the obligation to reverse, on a straight-line basis for 5 years, the impairment loss for the holding in Portcemen, S.A., which is deemed to be tax deductible in previous years

Recorded deferred tax assets

The details of the balance of this account at the end of the financial years 2017 and 2016 is the following, in thousands of euros:

Temporary differences	2017	2016
Provisions for pension plans	621	621
Other provisions	431	431
Tax credits for negative tax bases	1,692	1,692
Tax credits	381	381
Total deferred tax assets	**3,125**	**3,125**

The Company, according to the best foreseeable estimate of future results and depending on the recovery period of the tax losses and on the application of tax carryforwards, records the deferred tax assets corresponding with tax loss and carryforwards following a conservative approach.

In accordance with the Resolution of 9 February 2016, of the Spanish Institute of Accounting and Auditing of Accounts, which develops the standards for the recording, valuation and preparation of the annual accounts for the accounting of Income Tax, credit for tax losses and carryforwards is shown in each of the companies of the group that generated it. The deferred tax asset recorded by the Company includes, mainly, 1,692 thousand euros corresponding to the credit for tax losses at the end of the financial years 2017 and 2016 for the consolidated tax group.

The following table details tax loss generated by the Company as of 31 December 2017. The consolidated tax group will be able to offset these bases, with those of the rest of the companies of the group, with no time limit except for the quantitative limit of 25% of the positive tax base.

(in thousands of euros)

Year of generation	Amount generated
2010	3,380
2011	8,204
2012	7,686
2013	7,094
2014	6,538
2015	2,768
2016	2,564
2017	1,484
TOTAL	**39,718**

As of 31 December 2017, there are non-recorded tax credits for tax loss of the Company for an amount of 8,238 thousand euros (7,866 thousand euros at the end of 2016).

The following table shows tax carryforwards of the consolidated tax group, which have been individually generated by the Company, indicating their maximum legal time limit of application:

(in thousands of euros)

Year of generation	Quota	Last applicable financial year
Deductions generated financial year 2010	43	Without limit
	130	2020
	6	2025
Deductions generated financial year 2011	201	2021
	1	2026
Deductions generated financial year 2012	92	2022
Deductions generated financial year 2013	90	2023
Deductions generated financial year 2014	130	Without limit
	98	2024
Deductions generated financial year 2015	84	Without limit
	1	Without limit
	139	2025
Deductions generated financial year 2016	212	Without limit
	1	Without limit
	140	2026
Deductions generated financial year 2017	1	Without limit
	146	2027
TOTAL	1,515	

Carryforwards have been calculated according to the applicable tax regulations.

As of 31 December 2017, there are non-recorded tax credits for carryforwards for an amount of 1,135 thousand euros (988 thousand euros as of 31 December 2016).

Recorded deferred tax liabilities

Due to the changes in Company Tax introduced by Royal Decree-law 3/2016, of 2 December, the Company recorded a deferred tax liability amounting to 513 thousand euros in the financial year 2016. This resulted from the obligation to linearly reverse the impairment losses of its holding in Portcemen, S.A. during 5 financial years. Based on the current regulations, these value losses were considered fiscally deductible in the tax periods in which this impairment was recorded. During the year 2017 the deferred tax liability for this item has decreased in 205 thousand euros, including this amount the reversion of the years 2016 and 2017. Subsequently, as of 31 December 2017 the balance of the deferred tax liabilities amounts to 1,050 thousand euros (1,255 thousand euros as of 31 December 2016).

Financial years pending review and tax audits

At the end of the financial year 2017, the Company has open for review year 2013 and subsequent ones Company Tax and year 2014 and subsequent ones for the remaining taxes applicable. The Directors of the Company deem that the settlement of said taxes has been carried out suitably. Therefore, even if any discrepancies arise from the interpretation of the current regulations in regards to the tax processing of the transactions, the possible derived liabilities, if they materialise, will not affect in a significant way these annual accounts.

15. <u>Income and expenses</u>

Net turnover

The net turnover of the Company for the financial years 2017 and 2016 is the following:

(thousands of euros)

Activities	2017	2016
Dividends	40,077	29,094
Interests on credits	1,727	2,128
Total	**41,804**	**31,222**

Staff expenses

The balance of the account "Social security contributions" in the heading "Staff expenses" for the financial years 2017 and 2016 is comprised of the following:

(thousands of euros)

	2017	2016
Contributions to pension plans	362	365
Other social security contributions	680	619
Total	**1,042**	**984**

The average number of employees in the financial years 2017 and 2016, by categories, is as follows:

Categories	2017	2016
Management	13	12
Technicians and middle management	14	13
Administrative clerks	7	8
Total	**34**	**33**

Likewise, the distribution by gender at the end of the financial years 2017 and 2016, by categories, is as follows:

	2017		2016	
Categories	**Men**	**Women**	**Men**	**Women**
Management	11	2	11	1
Technicians and middle management	7	8	6	7
Administrative clerks	2	5	2	5
Total	**20**	**15**	**19**	**13**

Also, the Company did not have any employees with disabilities greater than or equal to 33% during the financial years 2017 and 2016.

Financial income and expenses

The breakdown of the Company's financial income and expenses for the financial years 2017 and 2016 has been:

(thousands of euros)

	2017	2016
Financial income:		
Income from other financial interests	9	19
Positive exchange differences	-	4
Result of financial instruments	29	115
Total financial income	**38**	**138**
Financial expenses:		
Financial expenses for debts to comp. within the group	(407)	(465)
Other financial expenses with credit entities	(1,890)	(2,426)
Negative exchange differences	(203)	(24)
Impairment of financial instruments	-	-
Others	-	-
Total financial expenses	**(2,500)**	**(2,915)**
Total financial result	**(2,462)**	**(2,777)**

Audit fees

During the financial years 2017 and 2016, accrued fees relating to audit services and other services rendered by the Company's auditor, Deloitte, S.L., or by an enterprise related to the auditor by control, common property or management, have been the following:

	Fees for services provided by the main	
Thousands of Euros	**2017**	**2016**
Audit services	83	88
Other verification services	7	7
Total audit and related services	**90**	**95**
Tax consulting services	-	-
Other Services	-	33
Total professional services	**-**	**33**

16. Information regarding related parties

Related-party transactions

The breakdown for the related-party transactions is the following for the financial years 2017 and 2016:

(thousands of euros)

Companies within the Group and related companies	2017	2016
Rendering of services	2,348	2,315
Reception of services	1,330	1,267
Credited interests	407	465
Interests charged	1,727	2,128
Received dividends	40,077	29,094

Related-party balances

The balance amounts with related parties as of 31 December 2017 and 2016 are as follows:

(thousands of euros)

Other companies within the group and associated companies	2017	2016
Long term investments:		
Credits to companies (Note 8)	25,152	31,193
Short term investments		
Credits to companies	7,456	7,481
Commercial debtors	2,498	2,066
Short term investments		
Tax effect of credits to companies	2,653	1,194
Long term debts (Note 11)	37,800	37,800
Commercial creditors	857	499
Tax effect of debts to companies (Note 11)	387	420

Modification or termination of agreements

No agreement between the Company and any of its shareholders or Directors or person who acts on their behalf, which affects transactions outside the ordinary business of the Company or which is not carried under normal conditions, has been concluded, modified or terminated early.

Commercial transactions

In compliance with what is set forth in Order ECC/461/2013, of 20 March, none of the directors has carried out, with Cementos Molins, S.A. nor companies of the Group, during the financial year, any transactions outside the normal business of the Company nor outside the normal market conditions.

Situations involving direct or indirect conflict with Cementos Molins, S.A.'s business interest

There are no situations involving a direct or indirect conflict of the Company's Directors or persons related to them with the business interests of Cementos Molins, S.A.

Existence and identity of directors who are also directors of companies holding significant ownership interests in Cementos Molins, S.A.

Pursuant to the provisions of Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March:

a) The individuals indicated below are members of the Board of Directors of the following companies which hold a significant ownership interest in Cementos Molins, S.A.:

Mr Joaquín Mª Molins López-Rodó is a director of OTINIX, S.A.

Mr Juan Molins Amat is a director of NOUMEA, S.A.

Mr Juan Molins Amat is Deputy Chairman of Cartera de Inversiones C.M., S.A.

b) None of the other members of the Board of Directors are directors of any company which holds a significant ownership interest in Cementos Molins, S.A.

Existence and identity of directors who are directors or executives of other companies belonging to the group Cementos Molins, S.A.

a) The individuals indicated below are members of the Board of Directors or executives of the following companies belonging to the Cementos Molins Group:

Mr Juan Molins Amat is:

- President of (i) Cemolins Internacional, S.L.U., and (ii) Corporación Moctezuma, S.A.B. de C.V.

Mr Julio Rodríguez Izquierdo is:

- President of (i) Sotacib-Kairouan, S.A.; (ii) Sotacib, S.A.; (iii) Cementos Avellaneda, S.A.; and (iv) Minus Inversora, S.A.

- First Vice-President in Cementos Artigas, S.A.

- Director of (i) Cemolins Internacional, S.L.U., (ii) LafargeHolcim Bangladesh Limited, (iii) Corporación Moctezuma, S.A.B. de C.V., (iv) Insumos y Agregados de Colombia, S.A.S., and (v) Empresa Colombiana de Cementos, S.A.S.;

b) None of the other members of the Board of Directors are directors or executives of any company belonging to the Cementos Molins Group.

Balances and transactions with key staff of the Company Management

During the financial years 2017 and 2016, the Company did not have any balances nor commitments, as of 31 December 2017 and 31 December 2016, with key staff of the Company Management, additional to those included in the following note "Board of Directors and Senior Management Remuneration".

Remuneration of management members

The remuneration of key executives of the Parent Company for the years 2017 and 2016 (for all concepts, including the long-term variable remuneration accrued in the year to be received by some executives after 3 years from 2016) is the following:

Remuneration Top Management	**2017**	**2016**
Amount (thousands of euros)	2,836	2,691
Number of people	10	10

Board of Directors and Senior Management Remuneration

During the financial years 2017 and 2016, the members of the Board of Directors of the Company have received as a whole the following remunerations:

(thousands of euros)

Concept	**2017**	**2016**
Attendance allowances	213	181
Board Remuneration	419	448
Commissions Remuneration	153	163
Professional fees	1,462	1,427
TOTAL	**2,247**	**2,219**

The professional fees include to the retribution of Executive Directors for the performance of their executive duties (for all concepts, including the long-term variable remuneration accrued in the year to be received by some executives after 3 years from 2016) and the specific retribution of the President of the Board.

Furthermore, the rights accrued in pension and life insurance plans as of 31 December 2017 and 2016 amount to 2,498 and 2,372 thousand euros, respectively.

Also, the Directors' third-party liability insurance premium paid by the Parent Company in 2017 amounted to 22 thousand euros.

Breakdown of equity holdings in companies with similar activities and performance of similar activities by the Directors or their related parties, whether on their own account or on behalf of others.

Pursuant to Article 540 of the Spanish Limited Liability Companies Law, following is a detail of the equity interests held by the members of the Board of Directors in Cementos Molins, S.A.:

Holder	**Number of shares**		**Nominal value**	**Date of acquisition**	**Last date of communication to the CNMV**
Mr. Juan Molins Amat	47,921	0.072%	14,376.30	Several	18-12-2012
Cartera de Inversiones CM, S.A.	15,893,000	24,038%	4,767,900	Several	03-11-2016
Mr. Miguel del Campo Rodríguez	1,000	0.002%	300	12-11-2004	15-04-2008
Otinix, S.L.	21,796,705	32,968%	6,539,011.50	Several	14-10-2015
Noumea, S.A.	21,201,704	32,068%	6,360,511.20	Several	09-02-2018
Foro Familiar Molins, S.L.	377	0.001%	113	Several	01-08-2008
Eusebio Díaz-Morera Puig-Sureda	0	0%	0	-	31-05-2012
Francisco Javier Fernández Bescós	500	0.001%	150	02-08-2012	03-08-2012

Mr. Joaquín Mª Molins López-Rodó	29,962	0,045%	8,988.60	Several	05-12-2017
Mr. Julio Rodríguez Izquierdo	0	0%	0	-	03-07-2015
Andrea Kathrin Christenson	0	0%	0	-	03-07-2015
Juan Molins Monteys	14,870	0,022%	4,461	Several	05-07-2017
Socorro Fernández Larrea	0	0%	0	-	14-12-2017

17. <u>Subsequent events</u>

Since the end of the financial year 2017, no relevant subsequent events have taken place that may significantly affect the equity value of the Company.

ANNEX I

Group companies:

	Name / Address	Activity	Participation percentage: Direct	Indirect	Total	Capital	Net result	Other shareholders's equity	Total shareholders' equity	Dividends received	Net value acc. to books
										(thousands of euros)	
(A)	CEMENTOS MOLINS INDUSTRIAL, S.A.U. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Cement	100	-	100	56,247	(3,911)	82,719	135,055	674	87,164
(A)	PROMOTORA MEDITERRÁNEA-2, S.A. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Concrete and aggregate	98.94	-	98.94	36,148	987	45,667	82,802		45,159
(A)	PREFABRICACIONES Y CONTRATAS, S.A.U. Espronceda, 38, local 3 28003 - Madrid	Prefabricate	100	-	100	56,577	880	(5,961)	51,496		55,728
(A)	PROPAMSA, S.A.U. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Construction materials	100	-	100	469	1,771	19,694	21,934		4,376
(A)	CEMOLINS INTERNACIONAL, S.L.U. Espronceda, 38, local 3 28003 - Madrid	Holding	100	-	100	30,468	77,728	234,898	343,094	83,561	25,393
(H)	CEMOLINS SERVICIOS COMPARTIDOS, S.L.U. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Services	100	-	100	2,037	(366)	(45)	1,626		2,037
(H)	CEMOL CORPORATION, B.V. Naritaweg, 165 1043 BW Amsterdam (Holland)	Holding	-	100	100	16,032	142	4,219	20,393		
(A)	MINUS INVERSORA, S.A. Reconquista, 336, 3º H 1335- Buenos Aires (Argentina)	Holding	4	96	100	534	13,320	21,196	35,050	1,869	1,905
(A)	CEMENTOS AVELLANEDA, S.A. Defensa, 113, 6º 1065 - Buenos Aires (Argentina)	Cement	-	51	51	2,947	57,443	90,347	150,737		
(A) (F)	SOCIÉTÉ TUNISO ANDALOUSE DE CIMENT BLANC, S.A. "Sotacib" Immeuble Alyssa Angle rue du Lac Tanganyika et le pasage du Lac Neusie Les Berges du Lac, 1053 -Tunisia	Cement	-	66.94	66.94	47,331	(2,488)	(25,748)	19,095		
(A) (F)	SOTACIB KAIROUAN, S.A. 6 Rue IBN - Hazm Cite Jardins Le Belvédère 1002 - Túnez	Cement	-	69.97	69.97	67,137	(2,004)	(12,284)	52,849		
(H)	PROMSA DEL BERGUEDÀ, S.L. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Concrete	-	50.46	50.46	400	24	(195)	229		
(H)	MONSO-BONETA, S.L. Pallars, 15 25620 - Tremp (Lleida)	Aggregate	-	79.17	79.17	72	(13)	1,241	1,300		
(H)	PRECON (LINYI) CONSTRUCTION CO., LTD Yihe Road, Economic developing District of Linyi Shandong Province (China)	Prefabricate	-	100	100	4,178	(1,786)	(3,945)	(1,553)		
(A)	SANTA PAMELA, S.A.U. Defensa, 113, 6º 1065 - Buenos Aires (Argentina)	Cement	-	51	51	122	26	41	189		
(H)	CATPRECON, S.L. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Prefabricate	-	67	67	50	125	114	289		
(H)	PRONATUR ENERGY 2011, S.L. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Services	-	98.94	98.94	2,000	417	(562)	1,855		

ANNEX II

Associates and multigroup:

(thousands of euros)

	Name / Address	Activity	Participation percentage Direct	Indirect	Total	Capital	Net result	Other shareholders's equity	Total shareholders' equity	Dividends received	Net value acc. to books
(A)	FRESIT, B.V. Johannes Vermeerplein, 11 1071 - DV Amsterdam (Holland)	Holding	-	50	50	6,795	109,355	118,714	234,864	88,104	
(A)	PRESA INTERNATIONAL, B.V. Johannes Vermeerplein, 11 1071 - DV Amsterdam (Holland)	Holding	-	50	50	7,900	32,245	162,123	202,268	25,984	
(G)	CEMENTOS ARTIGAS, S.A. María Orticohea 4704 Montevideo (Uruguay)	Cement	-	49	49	28,247	7,791	28,357	64,395		
(G)	COLINA JUSTA, S.A. Rambla República de Chile, 4511 Montevideo (Uruguay)	Services	-	49	49	7	(1)	(8)	(2)		
(G)	FRESH MARKETS, S.A. María Orticohea 4704 Montevideo (Uruguay)	Services	-	49	49	12	(0)	28	40		
(G)	EROMAR, S.A. María Orticohea 4704 Montevideo (Uruguay)	Cement	-	49	49	1,115	(51)	(543)	521		
(G)	MONDELLO, S.A. María Orticohea 4704 Montevideo (Uruguay)	Services	-	49	49	1,067	(19)	(190)	858		
(C)	CORPORACIÓN MOCTEZUMA, S.A.B. de C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Holding	-	33.33	33.33	7,268	220,538	212,802	440,608		
(C)	CEMENTOS PORTLAND MOCTEZUMA, S.A. de C.V. Carretera Tezoyuca - Tepetzingo, km. 1.9 Municipio Emiliano Zapata 62765 - Estado de Morelos (México)	Services	-	33.33	33.33	2	877	652	1,531		
(C)	CEMENTOS MOCTEZUMA, S.A. de C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Cement	-	33.33	33.33	47,952	212,478	122,246	382,676		
(C)	LATINOAMERICANA DE CONCRETOS, S.A de C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Concrete	-	33.33	33.33	39,172	(66)	4,666	43,772		
(C)	INMOBILIARIA LACOSA. S.A. de C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Real Estate	-	33.33	33.33	2,124	364	3,527	6,015		
(C)	LATINOAMERICANA DE COMERCIO, S.A. de C.V. Carretera Tezoyuca - Tepetzingo, km. 1.9 Municipio Emiliano Zapata 62765 - Estado de Morelos (México)	Services	-	33.33	33.33	457	668	1,077	2,202		
(C)	LACOSA CONCRETOS, S.A. de C.V. Carretera Tezoyuca - Tepetzingo, km. 1.9 Municipio Emiliano Zapata 62765 - Estado de Morelos (México)	Services	-	33.33	33.33	468	625	1,471	2,564		
(C)	CONCRETOS MOCTEZUMA DE XALAPA, S.A. de C.V. Calle B, Isla B, Bodega 7 Balcones de Xalapa 91194 - Xalapa . Veracruz	Concrete	-	20.00	20.00	424	30	1,414	1,868		
(C)	MAQUINARIA Y CANTERAS DEL CENTRO. S.A. de C.V. Avda.Molier, 328 , número 328, Dpto. 602 Colonia Los Morales Sección Palmas Dir. Miguel Hidalgo 11540 - México D.F.	Aggregate	-	17.00	17.00	831	(111)	59	780		
(C)	CONCRETOS MOCTEZUMA DEL PACÍFICO, S.A. de C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Concrete	-	28.33	28.33	1,250	(281)	(47)	922		

			Participation percentage			(thousands of euros)					
	Name / Address	Activity	Direct	Indirect	Total	Capital	Net result	Other shareholders's equity	Total shareholders' equity	Dividends received	Net value acc. to books
(C)	CONCRETOS MOCTEZUMA DE JALISCO, S.A. de Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Concrete	-	17.00	17.00	4	(46)	(581)	(623)		
(C)	CEMOC SERVICIOS ESPECIALIZADOS, S.A. de C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Services	-	33.33	33.33	2	4,217	7,857	12,076		
(C)	CYM INFRAESTRUCTURA , S.A.P.I. DE C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Infrastruc-tures	-	16.67	16.67	4,245	1,605	(3,117)	2,733		
(B)	ESCOFET 1886, S.A. c/ Montserrat, 162 08760 – Martorell	Prefabricate	-	36.73	36.73	1,602	(511)	7,072	8,163		
(H)	ESCOFET PAVIMENT, S.L.U. c/ Montserrat, 162 08760 – Martorell	Pavements	-	36.73	36.73	217	(90)	76	203		
(H)	ESCOFET PRETECNO, S.A. DE C.V. Carretera Federal Libre Cancún Chetumal km.328 Cancún Puerto Morelos, Quintana Roo, 77580 - Mexico	Prefabricate	-	18.37	18.37	18	(28)	3	(7)		
(H)	PORTCEMEN, S.A. Moll Contradic Sud, s/n – Port Autònom Barcelona 08039 – Barcelona	Services	33.33	-	33.33	3,736	90	136	3,962		1,320
(H)	MONTASPRE SERVEIS AMBIENTALS, S.L. Barri La Garriga, s/n 17481 – Sant Julià de Ramis (Girona)	Services	-	49.47	49.47	7	59	237	303		
(H)	PROMOTORA DE FORMIGONS, S.A. Carretera de la Comella, 11 AD 500 – Andorra la Vella	Aggregate	-	49.47	49.47	300	26	126	452		
(H)	TÈCNIQUES AMBIENTALS DE MUNTANYA, S.L Zona Industrial Sant Marc -P.S Sant Marc, Nau 4 17520 - Puigcerdà (Girona)	Services	-	49.47	49.47	6	5	212	223		
(H)	GRANULATED RUBBER PROJECT S.L. Avinguda Pirelli, s/n 08241 - Manresa (Barcelona)	Services	-	32.98	32.98	453	161	53	667		
(H)	VESCEM-LID, S.L. c/ València, 245, 3r 5ª 08009- Barcelona	Services	-	25	25	200	(3)	(52)	145		
(A)	SURMA HOLDING, B.V. Strawinskylaan, 3127 1077 ZX - Amsterdam (Holanda)	Holding	-	50	50	28,636	6,632	46,573	81,841	7,903	
(D)	LAFARGEHOLCIM BANGLADESH LTD 65 Gulshan Avenue, Gulshan -1 Dhaka 1212 (Bangladesh)	Cement	-	29.45	29.45	117,095	5,505	14,501	137,101		
(E)	LAFARGE UMIAM MINING PRIVATE LTD Hotel Polo Tower, Polo Ground Oakland Road Shillong 793001, Meghalaya (India)	Mining activity	-	29.45	29.45	5,365	7,542	10,439	23,346		
(E)	LUM MAWSHUN MINERALS PRIVATE LTD Hotel Polo Tower, Polo Ground Oakland Road Shillong 793001, Meghalaya (India)	Services	-	21.79	21.79	7	(2)	(20)	(15)		
(F)	SOCIÉTÉ TUNISIENNE DE TRANSPORT EN VRAC-STTV 22, Avenue Taieb Mhri 1240 - Feriana Kasserine (Túnez)	Transport	-	23.43	23.43	257	(68)	(453)	(265)		
(H)	YACUCES, S.L. Carretera Fuencarral-Alcobendas, Km. 3,800 28108 - Alcobendas (Madrid)	Holding	-	49	49	7,220	(7)	56,853	64,066		
(G)	ITACAMBA CEMENTO, S.A. Av. Brasil, entre Segundo y Tercer Anillo Parque Industrial Liviano, Santa Cruz de la Sierra (Bolivia)	Cement	-	32.67	32.67	65,826	3,176	16,179	85,181		
(G)	GB MINERALES Y AGREGADOS, S.A. Av. Brasil Calle 1 nº S/N Zona: This Santa Cruz de la Sierra (Bolivia)	Services	-	49.00	49.00	10,675	255	(1,269)	9,661		
(A)	EMPRESA COLOMBIANA DE CEMENTOS SAS CR. 48 NRO. 72 SUR 01 , municipio de Sabaneta Antioquia (República de Colombia)	Services	-	50.00	50.00	17,200	433	70,041	87,674		
(A)	INSUMOS Y AGREGADOS DE COLOMBIA SAS CR. 49 NRO. 72 SUR 01 , municipio de Sabaneta Antioquia (República de Colombia)	Mining activity	-	50.00	50.00	7,690	(187)	30,822	38,325		

The data were provided by the entities and their equity position is as shown in their Individual Financial Statements as of 31 December 2017.

Dividends correspond with dividends received by the different companies.

The consolidation of the Companies of the Group has been performed through the global integration method, for those companies that are effectively controlled, as there is a majority of voting rights in the representation and decision-making bodies (see Annex I).

Investments in joint businesses, which are those where the Group has the co-management with other shareholders, and the investments in related companies, have been integrated by the equity method (see Annex II).

The company Corporación Moctezuma, S.A.B. de C.V. is listed on the Mexican stock market. On the other hand, LafargeHolcim Bangladesh Ltd. is listed on the stock markets of Dhaka and Chittagong.

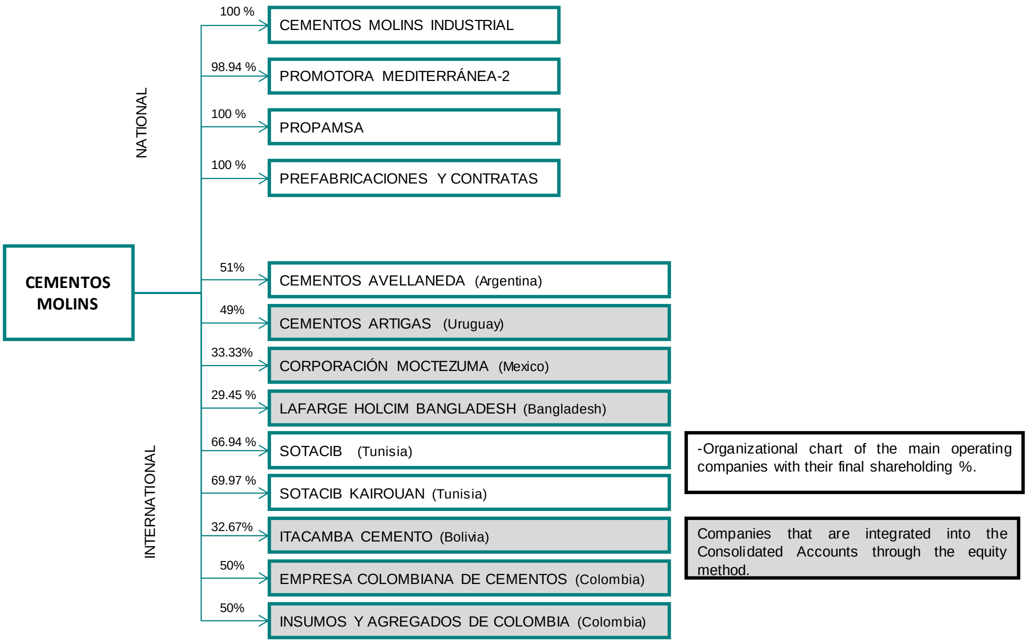
Companies with Annual Accounts audited by:

A = Deloitte, S.L.
B = RSM Spain Auditores, S.L.P.
C = Mancera S.C. (Ernst & Young)
D = Hoda Vasi Chowdhury & Co (Deloitte)
E = Deloitte Haskins and Sells
F = KPMG
G = PricewaterhouseCoopers
H = Non-audited Annual Accounts (without obligation to be audited)

MANAGEMENT REPORT CEMENTOS MOLINS S.A.

With 90 years experience in the cement industry field, **Cementos Molins S.A.** is at the holding company of a corporate group that develops its activities in Spain, Argentina, Uruguay, Mexico, Bolivia, Colombia, Tunisia, Bangladesh and India. In addition to cement, it also takes part in the business of concrete, aggregates, concrete prefabs, special mortars and adhesive cements, as well as environmental activities.

The corporate structure, regarding its main operating companies, is the following:



CORPORATE GOVERNANCE

The general principles that make up the Corporate Governance System are set out in the Ethical Code and in the Mission, Vision and Values of the Cementos Molins Group. These principles are aligned with the obligations and duties of the Directors, included in the Capital Companies Act (LSC), and respond to the Good Corporate Governance and Corporate Social Responsibility practices of listed companies.

In order to comply with the Good Governance obligations contained in the Capital Companies Act (LSC) and the recommendations of the Unified Code of Good Governance, the Cementos Molins Group has structured the Corporate Governance System into the following 5 pillars:

- Articles of Association: **the Articles of Association of Cementos Molins, S.A.**
- **The Group's Miss**ion, Vision and Values: The Cementos Molins Group's Mission, Vision and **Values describe the main principles necessary for the Group to operate smoothly. They differ from the Code of Ethics, which reflects the principles of expected behaviour of employees, in terms of** the relevance of the Cementos Molins Group's mission, vision and values.
- Corporate Policies**: These Corporate Governance Policies have the purpose of establishing the guidelines of each of the areas that make the Corporate Governance System, as well as the action framework for the Group's employees, and is divided into the following sections: 1) Corporate Governance and Regulatory Compliance, 2) Risk Management and 3) Corporate Social Responsibility.**
- Internal regulations**: Corresponds to the Grou**p's operating rules. The General Shareholders' **Meeting and Board of Directors Regulations are included. The latter includes the Auditing and Compliance Commission Regulations and the Remuneration and Appointments Commission Regulations.**
- Codes and procedures**: The codes and procedures of the Cementos Molins Group are the Ethical Code, the Ethics and Compliance Committee Regulations, the Internal code of conduct in securities** markets, Internal Rules for the treatment of insider information, the Shareholders' e**lectronic forum**

Regulation and the procedures related to the Internal Financial Information Control System (SCIIF). The Compliance Body must ensure compliance with the aforementioned codes and procedures.

On the basis of this structure, the Corporate Governance model of the Cementos Molins Group is defined according to certain principles that differentiate the functions of ordinary management and effective management from those of supervision and control. These principles are listed below:

- The Cementos Molins, S.A. Board of Directors is responsible for approving the Cementos Molins Group's corporate policies and strategy.
- The Auditing and Compliance Commission's function is to support the Board of Directors in the regular preparation of the economic and financial information, the Group's internal controls and the independence of the Company's External Auditor. In turn, it oversees the Ethics and Compliance function and the Internal Audit function, which ensure the proper functioning of Cementos Molins Group's IT, internal control and regulatory compliance systems.
- The Remuneration and Appointments Commission must propose to the Board of Directors the remuneration policy for Directors and general managers or those who perform senior management functions under the direct authority of the Board of Directors, Executive Commissions or Chief Executive Officers. Likewise, it is the duty of the Remuneration and Appointments Commission to periodically review the remuneration policy established and to ensure that conflicts of interest do not prejudice the independence of external advice provided to the Commission.
- The Board of Directors of Cementos Molins, S.A. has delegated all delegable functions to the CEO and Chief Executive Officer.
- The Board of Directors of Cementos Molins, S.A. has delegated the supervisory and advisory tasks of the Corporate Governance System to the Ethics and Compliance Committee, which in turn reports to the Auditing and Compliance Commission. Likewise, the Ethics and Compliance Committee must monitor the corporate policies developed, ensure that the information posted on the website is correct, accurate and up to date at all times.
- The General Management is responsible for implementing those measures which may be necessary for the proper functioning of the Group's Corporate Governance System.

RISK MANAGEMENT

The Cementos Molins Group has designed a risk management and control system that enables appropriate risk management. The risk management and control system is applied in the following phases:

- Preparation of the inventory of risks: the Internal Audit Department of the Cementos Molins Group, on the basis of the Group's knowledge, the monitoring activities performed and the business goals established by the Group, prepares an inventory of the risks that may occur in each company at both the corporate level and the operational level.
- Identification: the General Management, the area managers and the Internal Audit Department identify, through the inventory of risks, the risks to which the companied of the Cementos Molins Group are exposed.
- Assessment: after identifying the risks to which the Group's companies and Cementos Molins Group itself are exposed, they are assessed to recognise which are the most relevant. The risk assessment is determined on the basis of the likelihood of occurrence, the impact and the number of businesses and/or areas in which the risk might arise.
- Risk map: after selecting the most significant risks, the Group's risk maps, risk maps at corporate level and operational risk maps for each of the subsidiaries are prepared. These risk maps reflect the importance of each of the risks at the businesses.
- Control: after the risk map is prepared and assessed, the Top management of each of the companies, the Internal Audit Department and the functional areas determine the necessary measures and define the controls needed to mitigate the risks identified. The internal control system that will be assessed by internal audit is defined in this stage.
- Supervision: the Risk Maps and the control measures identified are the basis of the Annual Internal Audit Plan.

Once a year the scope of the risk management model is described through the Corporate Governance Annual Report, stating the risks materialised during the year and the status of the Risk Control and Management System.

Based on the above, the following risk categories assessed in the Risk Control and Management System of the Cementos Molins Group are defined:

- Corporate Governance Risks: **Corporate Governance risks are risks related to non-compliance with the internal rules established by the Group in relation to compliance with the principles set forth in the Capital Companies Act (LSC) and the Recommendations of the Good Governance Code of Listed Companies.**

- Strategic Risks: **Strategic risks are the risks that arise both from external factors and internal to the Group and that affect the long-term objectives. Generally speaking, strategic risk causes the** Group's companies or the Group itself to lose value for unwanted activities that affect demand. **Below are some examples of this type of risks:**

  - **Brand and reputation risk.**
  - **Risk of inability to adapt to changes.**
  - **Competitive, country and market risk.**
  - **Risk of customers needs.**
  - **Risk in the communication strategy.**

- Financial or Reporting Risks: **Financial or reporting risks are the risks that arise from the inability to finance the business obligations and from the possibility that the information provided to third parties (Financial Statements) is not reliable and complete. Below are some examples of this type of risks:**

  - **Budget risks.**
  - **Cash flow risk.**
  - **Financial statement risk.**

- Operational Risks: **The operational risks are the risks of the own activities carried out by the Cementos Molins Group. This typology includes risks of business management and risks of internal and external communication. Below are some examples of this type of risks:**

  - **Risk in cost management.**
  - **Business continuity plan risk.**
  - **Quality risk.**

- Compliance Risks: **Compliance risks are the risks of non-compliance with the internal and external regulations to which the member companies of the Cementos Molins Group are exposed. Below are some examples of this type of risks:**

  - **Risks arising from the nature of listed company of Cementos Molins, S.A.**
  - **Regulatory risks in social, economic and environmental matters.**
  - **Tax risks.**
  - **Fraud risks.**

HUMAN RESOURCES[1]

As of 31 December 2017, the number of employees in Cementos Molins, S.A. is 35 people. The workforce of Cementos Molins Group as a whole is 4,588 which represents a 1.04% increase compared to the figure as of 31 December 2016. 89.5% of the staff is male and 10.5% female, having increase significantly the number of female employees (by 7%) compared to male (by 0.3%).

In Spain, the Group closed the year with 1,220 employees, which represents a 1% increase compared to 2016.

In 2017, a total of 26,833 hours of training were carried out, to a total of 1,264 employees. In general terms, it consisted in technical training in environment, occupational risk prevention and quality. Likewise, executives, senior managers and middle managers were trained in management skills. Training in the management systems of human resources and performance management was provided to all the employees that take part in the objectives-based assessment system. In addition, language proficiency training was provided, mainly in English and French.

In Spain, Grupo Molins has launched five important projects in the Human Resources area: the second employee satisfaction survey, with a 86% participation at Group level, and with a satisfaction index ten points

[1]Data corresponding to the 100% incorporation of the investee companies

higher than in 2016; the personnel strategic planning process; and the integrated Human Resources system, along with the performance, succession and compensation assessment modules. Likewise, the flexible remuneration system was introduced for all the employees and the Ethical Code of the Group was revised.

At international level, it is worth noting the growth projects carried out in 2017, projects that have led Cementos Molins Group to enjoy significant international presence and, subsequently, to an average increase in employees compared to 2016 of 1.05%, going from 3,333 employees to 3,368.

No. of people. Aggregated value by Company as of 31 December

	2013	2014	2015	2016	2017
CEMENTOS MOLINS S.A.	58	31	31	32	35
CEMENTOS MOLINS INDUSTRIAL	178	169	175	169	171
PROMSA GROUP	236	220	237	229	237
PRECON	567	469	553	605	594
PROPAMSA	113	114	123	126	133
CEMOLINS SERVICIOS COMPARTIDOS	-	37	41	39	39
REMAINDER	13	13	9	8	11
SPANISH COMPANIES	**1,165**	**1,053**	**1,169**	**1,208**	**1,220**
CEMENTOS AVELLANEDA	702	720	730	728	750
CEMENTOS ARTIGAS	249	239	231	223	215
CORPORACION MOCTEZUMA	1,148	1,105	1,121	1,119	1,103
LAFARGE HOLCIM BANGLADESH	519	519	498	504	522
SOTACIB GROUP	538	581	588	575	532
ITACAMBA CEMENTOS	-	68	83	170	221
PRECON LINYI	-	30	19	4	4
ECOCEMENTOS	-	-	-	10	21
FOREIGN COMPANIES	**3,156**	**3,262**	**3,270**	**3,333**	**3,368**
TOTAL GROUP	**4,321**	**4,315**	**4,439**	**4,541**	**4,588**

The number of people corresponds to 100% of the staff in each of the Companies.

Occupational health and safety[2]

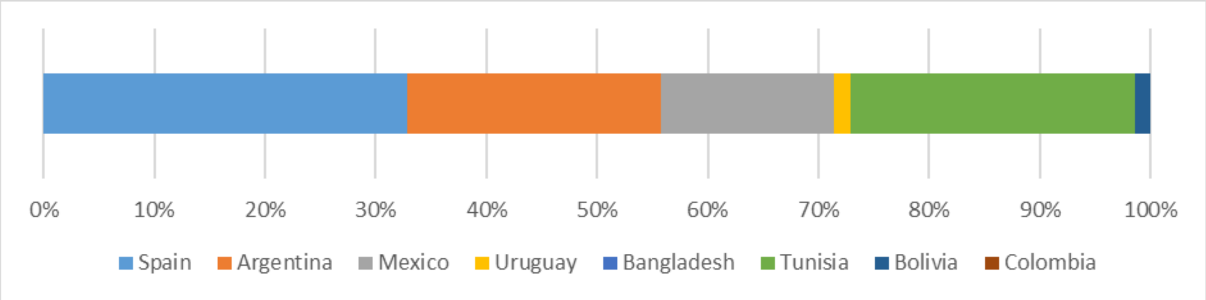
Occupational health and safety

All the activities and countries have occupation risks prevention mechanisms created after having analysed the risks related to the work place and implementing the necessary preventive measures to guarantee health and safety at work.

The number of occupational accidents has dropped by 1.4% compared to the previous year because they have been reduced in Uruguay, Mexico and Argentina compensating the increase taken place in Tunisia. Moreover, there have been no accidents involving the female workforce of the organisation in 2017.

Total accidents 2017 by country

[2]Data corresponding to the 100% aggregation of the investee companies



Likewise, the accident rate has evolved positively, with special improvements in the severity rate and the incidence rate.

In 2017 there have been a total of 70 accidents. Two of them have resulted in the death of four workers, three of them in Tunisia and one in Spain. The circumstances surrounding the accidents included a car accident in Tunisia and a situation related to the health of the employee in Spain.

Accident rates evolution

	Incidence rate		Frequency rate		Severity rate	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
Spain	19.0	18.9	10.6	11.0	1.1	0.91
Argentina	24.7	21.3	13.9	12.6	0.7	0.73
Mexico	11.6	10.0	5.0	3.7	0.1	0.21
Uruguay	22.4	4.7	9.4	2.0	0.6	0.01
Bangladesh	0.0	0.0	0.0	0.0	0.0	0.00
Tunisia	20.9	33.8	9.4	25.4	1.1	0.89
Bolivia	0.0	4.5	0.0	2.5	0.0	118.52
Total	**15.7**	**15.3**	**7.7**	**7.7**	**0.6**	**0.5**

The main accident causes include entrapments, bumps and falls and manipulation of manual loads. Different actions have been carried out this year involving occupational risk prevention, among which it is worth noting the conduct of specific studies, the deployment of awareness and prevention campaigns and the implementation of management tools, as well as the continuous information to those involved in the development of the Group's activity. 68.1% of direct workforce and 93.3% of indirect workforce is covered by a health and safety committee.

ENVIRONMENT AND LOCAL COMMUNITY[3]

Environment

The formal and informal environmental management systems in compliance with the international standards and the ISO 14001 rule allow the organisation to identify the aspects with significant environmental impact and to establish formal management mechanisms such as establishing continuous improvement goals for the reduction and mitigation of said impacts.

The environmental expenses have amounted to 3.5 million euros and the investments to this end to 1.8 million euros, which represents a 15% increase in the case of the expenses compared to the previous year.

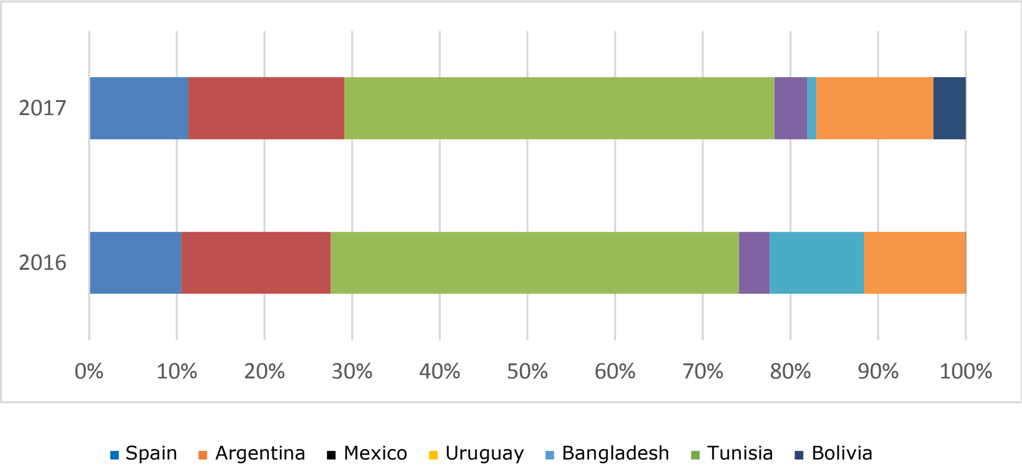
[3] Data corresponding to the 100% aggregation of the investee companies

Climate change

Cementos Molins Group is in the process of formally identify risks and opportunities associated to climate change, in relation to the significant incidence of the cement production on the environment.

During 2017, the total CO_2 emissions associated to the production of cement (including both direct emissions from the extraction and production of cement and indirect ones from the power consumption of the production processes of cement) have reached 10.26 million tones, a 9.2% higher than of the previous year. This activity represents the main source of emission of the organisation.

Total emissions (types 1 and 2) of the cement production activity by country[4]



The use of the best available technologies, the innovation related to the type of fuel used and the possibilities arising from the energy waste recovery are some of the actions developed to manage the organisation's carbon footprint. Part of the Group's activities are subject to a specific regulation on greenhouse gases emissions.

Waste and circular economy

The consumption of recycled raw material and the development of new production processes that close the life cycles of the materials used is one of the main management approaches to the Group's activity. 1% of the materials consumed are of recycled origin, which allows reducing the intensity of the extraction of non-renewable raw materials.

The main waste generated by the activity of the organisation is non-hazardous, and both this and the hazardous ones are managed according to the different treatment methods, always prioritising the recovery and reuse and pursuant to the legal requirements established in each country.

It is worth noting the energetic waste recovery carried out in the production processes of cement in Spain, along with other actions aimed at boosting circular economy processes in the organisation especially those related to water consumption. 3.8 million cubic meters of water have been consumed in 2017, 55.6% of which come from underground water and 34.2% from surface water. 8.2% of the water consumed has been reused.

Air quality

Air quality is one of the material aspects of the organisation that has been identified as a priority for neighbouring communities in the area in which the cement production activity is developed. The different mechanisms implemented look to constantly monitor and ensure the quality of the air, as well as, having the necessary contingency plans in the case of changes.

Atmospheric emissions	2017
NOx (kilograms)	32,397,699.4

[4] Type 1- Direct emissions from the power consumption associated to the cement production activity.
Type 2- Emissions from the power consumption associated to the cement production activity.

SOx (kilograms)	998,265.3
PM (kilograms)	1,001,549.7

Biodiversity and restoration of natural habitats

The aggregate extracting activity associate to the production of cement is one of the main material aspects of the restoration of natural habitats. The organisation's policy in the management of these impacts is reducing as much as possible the initial impacts of the extracting activities in the environment and at the end of its useful life carrying out a full restoration of the natural areas.

This year several plant species have been planted to reforest the quarries and old facilities have been dismantled in Spain. Moreover, special attention has been paid to collaborations with interest group to promote and protect protected species.

Local community

There is a close relationship wit the local communities in areas in which the organisation operates, where the participation of different interest groups varies based on the local context and characteristics.

The interest group committee in Spain is an example of a tool to keep direct contact with the members of the local community, which helps manage properly the expectations of the different members and their direct participation in the decision-making process in social and environmental issues. In other countries there are formal agreements with members of the local community that define the conditions of the operation and activity.

Likewise, the participation in associations of the local community is high and their scope diverse, from specific to the sectoral level to more general ones.

The purchase volume to local supplies has remained constant, amounting to 80.7% of the purchases carried out in 2017, which represents a slight increase compared to the previous year.

Likewise, in 2017, 880 thousand euros have been allocated to social actions and sponsorship projects associated to health, education and issues directly related to the needs of the local community in which the organisation operates.

Further information and details on these aspects will be provided in the Sustainability Report for 2017 the Group will publish in 2018.

QUALITY AND PRODUCT

The quality policy of the Companies in the Cementos Molins Group is aimed at satisfying above all the needs of our clients and they are very strict on the certifications showing the quality of our products and processes, and the permanent improvement of our products and services in our catalogue.

The quality of our products comes is guaranteed because they comply with the specifications stated in their definition, with the rules (voluntary ones) and/or regulations (mandatory ones). Consistency in the quality is guaranteed by the right to use quality markings, contemplated in several products and countries, whether mandatory or voluntary.

Based on the countries in which our companies are located, their products and services comply with the different voluntary guidelines set forth by the different Standardisation Institutes. As for quality markings, the CE marking is mandatory for those products that have a European harmonised standard (EN). In some countries there are voluntary quality markings, such as the AENOR marking in Spain, the ONNCCE in Mexico and the INNORPI in Tunisia.

Many of the technicians in our companies work with the different Standardisation and Certification Institutes as experts in Standardisation and Certification Committees of different countries.

Most of our companies have issued a mission statement and its quality policy, with the corresponding manuals, and, therefore, they have been certified in accordance with ISO standard 9001 on quality management.

RESEARCH AND DEVELOPMENT

The Company, as holding company of Cementos Molins Group, has not carried out these research and development activities itself, because they are carried out in each of the operating companies of the group.

The common denominator of the companies of Cementos Molins Group has been to focus the R+D+i policy towards providing them with the necessary tools to rise above and be competitive before the challenges laid by the different markets in the respective countries.

In this sense, companies of the Group have focused on improving and enhancing the production processes for the production of cement, increasing the performance of the concretes and innovating and extending the range of products in the area of adhesive cement and prefabs; as well as on providing assessment and assistance to the customer through specific projects and products prepared according to their needs.

ECONOMIC AND FINANCIAL SITUATION

The result obtained for the year 2017 has been 32 million euros, 14 million euros higher compared to the previous year due to several reasons:

- Greater dividend income received from investee companies, 40 million euros in 2017 compared to 29 million in 2016.
- Greater exploitation expenses mitigated partly by lower financial expenses.
- A positive fiscal effect as holding company of the Spanish Consolidated Tax Group, which opposes the negative accounting impact registered at the end of 2016 arising from the adoption of Royal Decree-Law 3/2016 of 2 December, by virtue of which tax-related measures were implemented aimed at the consolidation of public finances, including restrictions on the recovery of negative tax bases from previous years.

(thousands of euros)	**2017**	**2016**	**variation %**
Net amount of the turnover	**41,804**	**31,222**	**33.9%**
Operating expenses	(8,514)	(7,668)	-11.0%
Amortisation of fixed assets	(247)	(253)	2.6%
Impairment and results from sale of assets	(0)	2	-
OPERATING RESULTS	**33,043**	**23,303**	**41.8%**
FINANCIAL RESULT	**(2,462)**	**(2,777)**	**11.3%**
RESULTS BEFORE TAX	**30,581**	**20,526**	**49.0%**
Tax on profit	1,515	(1,690)	-
RESULTS FOR THE FINANCIAL YEAR	**32,096**	**18,836**	**70.4%**

Important company events

- On 28 February 2017, the Company submitted to the CNMV (i) information regarding the results for the second half of 2016; (ii) information and presentation on the results of the financial year closed on 31/12/2016; (iii) the Annual Report of Corporate Governance for the 2016 financial year; and (iv) the Annual Report on the remuneration of the directors for financial year 2016.

- On 2 May 2017, the company submitted to the CNMV the composition of the Auditing and Compliance Commission and the Remuneration and Appointments Commission in view of the agreements adopted by the Board of Directors.

- At the meeting of the Board of Directors held on 2 May 2017, the company announced the Ordinary General Meeting of Shareholders, called for 29 June 2017, and the agreement proposals to submit to the Assembly were approved. Likewise, supplementary information was provided to shareholders in the corporate website.

- On 2 May 2017, the Company submitted to the CNMV information regarding the results for the first quarter of 2017 and the presentation of result as of March 2017.

- On 8 May 2017, the Company submitted to the CNMV a presentation with the results of 2016 and the first quarter of 2017, along with guidelines and new projects for the period 2017-2019.

- On 26 June 2017, the company reported to the CNMV the death of Mr Casimiro Molins Ribot, President of the Board of Directors of Cementos Molins, S.A.

- The Ordinary General Shareholders' Meeting, held on 29 June 2017, agreed on (i) the approval of the separate Annual Accounts, of the Report on business activity involving the Company's treasury shares; of the Statement on Environmental Information, and of Consolidated Annual Accounts of Cementos Molins, S.A. and its subsidiaries (Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity and the Annual Report), of the Management Report, separate and consolidated, and of the proposal for the distribution of profits for the financial year closed on 31 December 2016; (ii) the approval of the management of the Board of Directors, of its Commissions and of the **Chief Executive Officer** in the financial year 2016; (iii) the reelection of Deloitte, S.L. as Auditor of the separate and consolidated Annual Accounts of the Company for the financial year 2018; (iv) the reelection of the directors Mr Eusebio Díaz-Morera Puig-Sureda, Mr Juan Molins Amat, Noumea, S.A. (represented by Mr Pablo Molins Amat), Mr Francisco Javier Fernández Bescós and Foro Familiar Molins S.L. (represented by Ms Roser Ràfols Vives) and the appointment of Mr Juan Molins Monteys as a new director; (v) the maximum annual remuneration of the directors; (vi) the approval, with consultative vote, of the Annual Report on the remuneration of Directors; and (vii) informing in the General Assembly on the most relevant aspects of the Corporate Governance of the Company, including the amendment of the Internal Market Conduct Regulations of the Stock Exchange.

- By virtue of the resolutions approved at the Company's General Shareholders' Meeting and by the Board of Directors in their respective meetings held on 29 June 2017, the Company agreed to pay on 13 July 2017 an additional dividend of €0.01 gross per share, on account of the profits of year 2016 and a dividend of €0.12 gross per share on account of the profits of year 2017.

- On 14 June 2017, the company reported to the CNMV the death of Mr Joaquim Molins Amat, member of the Board of Directors and member of the Remuneration and Appointments Commission of Cementos Molins, S.A.

- On 27 July 2017, the company reported to the CNMV the appointment of Mr Juan Molins Amat as the new President of the Board of Directors, as well as the new composition of the Remuneration and Appointments Commission.

- On 27 July 2017, the company submitted to the CNMV information regarding the results for the first semester of 2017.

- On 21 September 2017, the company reported to the CNMV its intention to increase its production capacity in Argentina.

- On 20 October de 2017 the Board of Directors agreed to move the registered office of the Company and its subsidiary Cemolins Internacional, S.L.U. to Madrid.

- On 6 November 2017, the Company submitted to the CNMV (i) information regarding the results for the third quarter of 2017; and (ii) information regarding the results as of September 2017.

- On 1 December 2017, the company reported to the CNMV the appointment of Ms Socorro Fernández Larrea as the new independent director and the new composition of the Board and the Commissions.

- By virtue of the agreements reached by the Board of Directors in the meeting held on 22 December 2017, the Company agreed to pay on 11 January 2018 a dividend of €0.12 gross per share on account of the profits of the year 2017.

  On 27 December 2017, additional information was reported regarding the acquisition by Lafarge Holcim Bangladesh Limited of 100% of Holcim Cement (Bangladesh) Limited and on 9 January 2018 the finalisation of the operation was notified.

Events after closing

No relevant events have been registered after 31 December 2017.

Expected evolution of the Company

The year 2018 is expected to behave similarly to the year 2017

Capital structure

The share capital is nineteen million, eight hundred and thirty four thousand, seven hundred and one Euro (€19,834,701), divided into 66,115,670 ordinary shares and of one series only, of thirty cents of Euro (€0.30) of nominal value each. The share capital is fully subscribed and paid up.

The last amendment was carried out on 30 June 2005.

Restrictions to the transfer of shares

There exist no restrictions to the transferability of shares.

Significant participations, direct or indirect

	Equity holding		Nominal
Holder	Shares	%	Value euros
Otinix, S.A.	21,796,705	32.968%	6,539,012
Noumea, S.A.	21,201,704	32.068%	6,360,511
Cartera de Inversiones C.M., S.A.	15,893,000	24.038%	4,767,900

Restrictions to voting rights

There are no restrictions to the voting rights.

Shareholders' agreements

On 7 January 2016, the Vote and Shares Syndication Agreement, dated 17 December 2015, signed by the syndicated shareholders of Cementos Molins, S.A., was provided to the CNMV and the Company, thus substituting the Agreement signed on 15 January 2011. A copy of the complete subscribed agreement was attached. Said agreement has been filed in the Commercial Register of Barcelona, under register number entry number 304 and in the Commercial Register of Madrid under entry number 1.

The significant shareholders intervening in the agreement, and their corresponding participation in said agreement, is the following:

Intervening parties in the shareholders' agreement	% of the affected share capital
Otinix S.A.	32.968
Noumea S.A.	23.441
Cartera de Inversiones C.M. S.A.	24.038

Applicable regulation to the appointment and replacement of members of the Board of Directors and to the amendment of the articles of association

The AGM, failing this the Board of Directors, shall hold the power to appoint the members of the Board of Directors in accordance with that provided in the Spanish Corporate Law and in the Articles of Association.

In order to be a Director, it is not necessary to be a shareholder. To fill vacancies arising during the director appointment period, in which case the Board will be able to appoint the people that will fill these positions until the next General Meeting. If a vacancy arises after a General Meeting has been called but before it has been held, the Board of Directors may appoint a director until the following General Meeting has been held. The appointment of acting directors is forbidden.

The Board of Directors is now composed of fourteen directors. Directors will be appointed by the General Assembly for a maximum term of four years and they can be re-elected indefinitely for periods of up to four years each, except directors considered independent who shall not remain continuously in office, as independent directors, for a period longer than twelve years.

The appointment or re-election proposals of directors submitted by the Board of Directors, as well as the appointments by co-option, will be approved by the Board of Directors

(i) on the proposal of the Remuneration and Nomination Committee, in the case of independent directors, or

(ii) prior report of the Remuneration and Appointments Commission with regard the other directors.

According to article 28 of the Articles of Association, the proposal must be always accompanied by a supporting report from the board in which the competence, experience and merits of the proposed candidate are assessed, which is to be attached to the minutes of the AGM or of the Board.

At the meeting of the Board of Directors on 28 April 2016, with a prior favorable report of the Remuneration and Appointments Commission, the Director Selection Policy of the company was approved. The main content of said policy is the following:

(i) Objectives of the candidate selection:

- The principle of diversity in the composition of the Board of Directors shall govern in a broader sense: people will be sought whose appointment promotes the diversity of knowledge, experiences and gender within the Board of Directors.
- The Director Selection Policy will make a conscious effort so that in year 2020 the number of female directors represents, at least, 30% of the total number of members of the Board of Directors.

(ii) Selection processes:

- The Board of Directors, with the previous report of the Remuneration and Appointments Commission, will draft a preliminary analysis of the Company's needs, which will be the stepping point in the appointment, reelection and ratification process for directors.
- Attempts will be made so that the composition of the Board of Directors is balanced, with an ample majority of non-executive directors and an appropriate proportion of propriety and independent directors.
- The Molins family owns an ample majority of the Parent's share capital. Given that the appointment of directors normally takes place by applying the proportionality system established in the Spanish Corporate Law, the directors of the Company belong for the most part to the category of propriety or independent directors. Also, the proportion of proprietary directors as a percentage of the total non-executive directors should not exceed the proportion of the Parent's capital they represent.
- Any director may propose candidates for the Board of Directors, provided they meet the requirements established in the Parent's various corporate governance rules.
- The Company shall receive the assistance of outside counsel to validate the candidates for director.
- During the candidate selection process, all implicit discriminatory biases will be avoided and, in particular, those hindering the selection of female directors.

(iii) Conditions to be met by the candidates for director:

- They should be honourable, suitable, of acknowledged solvency, training, competence, experience, qualification, and be available for, and committed to, their function.
- They shall be professionals whose conduct and career path are in line with the respect for the Law and good commercial practices, complying, in addition, with the current legal provisions at all times to be able to be part of a management body.
- The search for candidates with knowledge and experience in the main countries and industries where the Group carries out their business will be encouraged.
- The Nomination and Remuneration Committee should ensure that the non-executive directors have sufficient time available for the correct discharge of their functions. In this connection, the directors may not, save for express authorisation from the Board, subject to a report from the Nomination and Remuneration Committee, form part of more than eight Boards, excluding:

  - Boards of companies forming part of the same Group as the Parent;
  - Boards of family or asset-holding companies of the directors or their relatives; and
  - Boards of which they form part as a result of a professional relationship.

(iv) Impediments to be candidate for director:

- Those who are involved in an incompatibility lawsuit for the discharge of their position.
- The persons who do not meet the requirements set forth in the Corporate Governance System to be a director.
- Directors or senior executives of Spanish or foreign companies in the cement sector that might be considered the Parent's competitors.
- Natural or legal persons who discharge the position of director at more companies than permitted under the Board of Directors Regulations.
- The persons incurring in a situation of conflict of interest with the Company in compliance with the provisions of the Board of Directors Regulation.
- Those who have been involved in circumstances that might give rise to their membership of the Board of Directors damaging the Parent's name or reputation.

The General Meeting may agree, at all times, to remove the Directors, when deemed fit for the interests of the company. Those declared incompatible to the extent and in the conditions established by the Incompatibilities Law and any other provision modifying it or widening its scope are barred from holding in the Company and, when applicable, to discharge duties in them.

Directors shall cease their role following the period for which they were appointed and, in all other events set fourth in Law, the Articles and the Board of Directors Regulation.

The amendment of the article of associations shall be agreed upon in the general meeting and it requires the fulfillment of the requirements established in the Spanish Corporate Law.

Powers of the members of the Board of directors

Article 25 of the Articles of Association provides that the Board of Directors, acting collectively on behalf of the Company, is entitled to do and carry out anything included in the Company's object and to exercise all the powers not expressly reserved by Law or by the Articles to the General Meeting. On the other hand, article 5 of the Board of Directors Regulations lists the powers that the Board of Directors is not able to delegate.

Amongst the members of the Board of Directors, only the **Chief Executive Officer** holds powers to act on its own, according to the powers delegated to him or her at the time of the appointment.

Significant agreements that are amended or finalised in the event of a change of control

The company has subscribed, and filed for public knowledge at the National Securities Exchange Commission, five significant Agreements that are amended or finalised in the event of a change of control:

The first, signed on 15 May 2009 by Cementos Molins, S.A and Cemolins Internacional, S.L.U. on the one hand, and Buzzi Unicem, SpA and Buzzi Unicem Internacional, S.à.r.l, on the other hand, regarding the subsidiary Fresit, B.V. (Holland). This agreement has been replaced and superseded by the agreement entered into on 22 December 2015 by Cementos Molins, S.A. and Cemolins Internacional, S.L.U., of the one part, and Buzzi Unicem Spa and Buzzi Unicem International S.À.R.L., of the other part, relating to FRESIT BV and PRESA INTERNATIONAL BV and their investees.

The second, relating to Cementos Avellaneda, S.A. (Argentina) entered into on 18 December 2012, by Cementos Molins, S.A., Cemolins International, S.L.U. and Minus Inversora, S.A., of the one part, and the Votorantim Group, of the other part.

The third one, relating to Cementos Artigas, S.A. and signed on 18 December 2012, by Cementos Molins, S.A and Cemolins Internacional, S.L.U., on the one hand, and Votorantim Group, on the other hand, regarding Cementos Artigas, S.A. (Uruguay).

The fourth, entered into on 31 July 2014 by Cementos Molins S.A. and Cemolins Internacional S.L.U., of the one part, and Votorantim Cimentos EAA Inversiones, S.L.U. and Votorantim Cimentos, S.A., of the other part, related to Yacuces, S.L. and its subsidiaries in Bolivia.

The fifth, relating to the Colombian subsidiaries Insumos y Agregados de Colombia, S.A.S. and Empresa Colombiana de Cementos S.A.S., entered into on 30 September 2015, by Cementos Molins, S.A. and Cemolins Internacional, S.L.U., of the one part, and Suministros de Colombia S.A.S. and Corona Industrial S.A.S., of the other part.

All five agreements provide that change of control of either of the parties grants the other party a pre-emption right on the ownership interest held by the party whose control changes of the companies that are the subject-matter of the agreement.

Agreements between the Company, the directors, management members or employees that set forth compensations when their relationship with the Company is terminated as a result of a takeover bid

In the commercial contracted signed by the Company and the **Chief Executive Officer** it is set forth that he/she shall be entitled to a compensation equal to three (3) annuities of their monetary compensation, including the variable components of his remuneration, in the event of a change in the control structure of the Company within the meaning of article 42 of the Commercial Code by reference to article 4 of the Securities Market Law, including as a result of a public tender offer for the shares of the Company, or assignment or transfer of all or a relevant part of its activity or of its assets and liabilities to a third party, or integration into another business group that acquires control of the Company in such a way that it has the effect of renewing its governing bodies or a substantial change in its business strategy as it may result in each case of its business plan.

In two agreements signed by the Company and two management members, the compensation to be paid would correspond to an unfair dismissal under the common labour legislation, for the amount currently in force at all times and, at the very minimum, a compensation equal to three annuities of their annual gross remuneration, in the event set out in section d) of article 10.3 of Royal Decree 1382/1985, that is, in the event of a succession of the business or a significant change in its ownership that causes the renewal of its governing bodies or in the contents or purpose of the main activity of the company.

Corporate Governance Annual Report

As an annex to this Management Report, the Annual Report of Corporate Governance is presented, which is an integral part of the Management Report of Cementos Molins, S.A. for the financial year 2017.

ANNEX I

CORPORATE GOVERNANCE ANNUAL REPORT

FOR LISTED COMPANIES

DATA IDENTIFYING THE ISSUER

REPORTING DATE OF YEAR IN QUESTION	31/12/2017

EMPLOYER IDENTIFICATION NUMBER	A-08017535

COMPANY NAME
CEMENTOS MOLINS, S.A.

REGISTERED OFFICE
CALLE ESPRONCEDA 38, LOCAL 3 (MADRID)

CORPORATE GOVERNANCE ANNUAL REPORT

FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

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

Date of last change	Share capital (€)	Number of shares	Number of voting rights
30/06/2005	19,834,701.00	66,115,670	66,115,670

Indicate whether there are different classes of shares carrying different rights:

Yes ☐ No ☒

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

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR JOAQUIN Mª MOLINS GIL	0	15,893,000	24.04%

Name or company name of holder of indirect ownership interest	Through: name or company name of holder of direct ownership interest	Number of voting rights
MR JOAQUIN Mª MOLINS GIL	CARTERA DE INVERSIONES C.M., S.A.	15,893,000

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

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

Name or company name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR JUAN MOLINS AMAT	47,921	0	0.07%
CARTERA DE INVERSIONES C.M., S.A.	15,893,000	0	24.04%
OTINIX, S.L.	21,796,705	0	32.97%
FORO FAMILIAR MOLINS, S.L.	377	0	0.00%
FRANCISCO JAVIER FERNÁNDEZ BESCÓS	500	0	0.00%
MR JOAQUIN Mª MOLINS LOPEZ-RODO	29,962	0	0.05%
MR JUAN MOLINS MONTEYS	14,870	0	0.02%
MIGUEL DEL CAMPO RODRÍGUEZ	1,000	0	0.00%
NOUMEA, S.A.	21,201,704	0	32.07%

% of total voting power held by the Board of Directors	89.25%

Fill in the following tables on the members of the company's Board of Directors who hold rights over shares in the company:

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

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

A.6 Indicate whether the company has been notified of any shareholders agreements that affect it in accordance with Arts. 530 and 531 of the Spanish Limited Liability Companies Law. If so, provide a brief description and list the shareholders that are party to the agreement:

Yes [X] No [ ]

Parties involved in the shareholders' agreement
OTINIX, S.L.
NOUMEA, S.A.
CARTERA DE INVERSIONES C.M., S.A.

Percentage of share capital affected: 81.81%

Brief description of the agreement:

Vote and share syndication agreement
The above percentage also included minority stakes of a series of individual shareholders involved in the Agreement, consistent with that provided to the Spanish National Securities Market Commission (CNMV) on 7 January 2016, under registration number 233834.

Indicate whether the company is aware of any concerted action among its shareholders. If so, provide a brief description:

Yes [X] No [ ]

Percentage of share capital affected: 81.81%

Brief description of the concerted action:

Vote and share syndication agreement
The above percentage also included minority stakes of a series of individual shareholders involved in the Agreement, consistent with that provided to the Spanish National Securities Market Commission (CNMV) on 14 January 2016, under registration number 2016002689.

Parties involved in concerted action
OTINIX, S.L.
NOUMEA, S.A.
CARTERA DE INVERSIONES C.M., S.A.

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

No.

A.7 Indicate, stating the name thereof, if applicable, whether any natural or legal person exercises, or can exercise, control over the company, in accordance with Article 4 of the Securities Market Law. If so, provide a description:

Yes ☐ No ☒

Observations

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

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
0	2,720,571	4.11%

(*) Through:

Name or company name of holder of direct ownership interest	Number of direct shares
CEMENTOS MOLINS INDUSTRIAL, S.A.U.	2,720,571
Total	2,720,571

Give details of any significant changes during the year, in accordance with Royal Decree 1362/2007, made during the year:

Explain the significant variances

In 2017 a total of 633 shares were acquired indirectly, representing 0.001% of the total share capital.

A.9 Give details of the conditions and time period of the current authorisation from the shareholders at the General Meeting for the Board of Directors to acquire or transfer treasury shares.

The shareholders at the General Meeting of 30 June 2015 adopted the following resolution, being item four on the agenda:

Authorising and empowering the Cementos Molins, S.A. Board of Directors, as well as those companies where CEMENTOS MOLINS, S.A. is the main parent company, to acquire, under the existing legal regulations, the shares of CEMENTOS MOLINS, S.A., within the existing limits and according to the following requirements:

a) the nominal value of the acquired shares, in addition to those already held by CEMENTOS MOLINS, S.A. and its subsidiary companies, does not exceed at any time 10% of the share capital.

b) the aforementioned acquisition, including those shares previously acquired by the company and held in its portfolio, shall not lead to the net equity being less than the amount of the share capital plus the legally or statutory-wise unavailable reserve.

c) the shares acquired shall be fully paid up.

d) since they are acquisitions for a value, they should be effected at a minimum price of the shares' nominal value and maximum of the stock market price at the time of acquisition, with express compliance of any other applicable legal requirements.

e) that this authorization is established for a period of five years starting from today, June 30 2015, without prejudice to the assumptions contemplated within the Law as those relating to free acquisition.

A.9.bis Estimated free float:

	%
Estimated free float	6.64

A.10 Indicate any legal or bylaw restrictions on the exercise of voting rights and any legal restrictions on the acquisition or transfer of ownership interests in the share capital. Indicate whether there are any legal restrictions on the exercise of voting power:

Yes ☐ No ☒

A.11 Indicate whether the shareholders at the General Meeting have resolved to take measures to neutralise a takeover bid pursuant to Law 6/2007.

Yes ☐ No ☒

Explain any measures approved and the situations in which the restrictions would be inoperative:

A.12 Indicate whether the company has issued any securities not traded on an EU-regulated market.

Yes ☐ No ☒

Explain any measures approved and the situations in which the restrictions would be inoperative:

B GENERAL MEETING

B.1 Indicate whether quorums for convening the general meeting differ from the system of minimum quorums established in the Spanish Limited Liability Companies Law (LSC). If so, give details.

Yes ☐ No ☒

B.2 Indicate and, if applicable, describe any differences between the rules established in the Spanish Limited Liability Companies Law (LSC) for adopting resolutions and the company's rules:

Yes ☐ No ☒

Describe the differences with respect to the rules established in the LSC.

B.3 Indicate the rules governing amendments of the company's bylaws. In particular, notify the majorities foreseen for the amendment of the bylaws, and, where appropriate, the rules provided for the protection of the rights of the shareholders in the amendment of the bylaws.

This is a power reserved for the General Meeting pursuant to Article 160 (c) of the Spanish Limited Liability Companies Law and Article 3 of the General Meeting Regulations.

In accordance with Article 201 of the Spanish Limited Liability Companies Law, Article 16 of the bylaws and Article 9 of the General Meeting Regulations, the quorum required in the General Meeting for the amendment of the bylaws must feature shareholders holding one half of the subscribed voting shares on first call. On second call, shareholders holding at least 25% of the subscribed voting shares shall be present in person or by proxy. However, where shareholders holding less than 50% of the subscribed voting shares are present in person or by proxy, the resolutions relating to the amendment of bylaws may only be validly adopted with the affirmative vote of two-thirds of the share capital present in person or by proxy at the Meeting.

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

	Attendance data				
Date of General Meeting	% attendance in person	% attendance by proxy	% remote voting		Total
			Electronic voting	Others	
03/06/2016	93.80%	1.80%	0.00%	0.00%	95.60%
29/06/2017	93.95%	2.24%	0.00%	0.00%	96.19%

B.5 Indicate whether the bylaws contain any restrictions with respect to a minimum number of shares required to attend General Meetings:

Yes ☐ No ☒

B.6 Repealed section.

B.7 Indicate the URL and the means for accessing the Company's website the corporate governance information and other information on the General Meetings which should be made available to shareholders on the Company's website.

The Company URL is www.cemolins.es. On the homepage, click on the "Shareholders and Investors" section in the “Corporate Governance” submenu. The Corporate Governance Annual Report of at least the last five completed financial years appears on this page in pdf format. Information relating to the General Meetings can be found in the initial menu (home), “Shareholders and investors” section, “General Shareholders’ Meeting" submenu.

C MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 The maximum and minimum number of directors as per bylaws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Fill in the following table with the directors' particulars:

Name or company name of director	Representative	Board member type	Position on the Board	Date of first appt.	Date of last appt.	Appointment procedure
MR JUAN MOLINS AMAT		Propietary	CHAIRMAN	19/06/1967	29/06/2017	ANNUAL GENERAL MEETING RESOLUTION
CARTERA DE INVERSIONES C.M., S.A.	MR JOAQUIN Mª MOLINS GIL	Propietary	CHAIRMAN 1º	26/06/1996	30/05/2014	ANNUAL GENERAL MEETING RESOLUTION
OTINIX, S.L.	MS ANA Mª MOLINS LÓPEZ-RODÓ	Propietary	CHAIRMAN 2º	04/09/2015	04/09/2015	ANNUAL GENERAL MEETING RESOLUTION
MR JULIO RODRÍGUEZ IZQUIERDO		Executive	MANAGING DIRECTOR	30/06/2015	30/06/2015	ANNUAL GENERAL MEETING RESOLUTION
MR EUSEBIO DIAZ-MORERA PUIG-SUREDA		Independent director	DIRECTOR	31/05/2012	29/06/2017	ANNUAL GENERAL MEETING RESOLUTION
MS ANDREA KATHRIN CHRISTENSON		Independent director	DIRECTOR	30/06/2015	30/06/2015	ANNUAL GENERAL MEETING RESOLUTION
MS SOCORRO FERNANDEZ LARREA		Independent director	DIRECTOR	01/12/2017	01/12/2017	COOPTATION

Name or company name of director	Representative	Board member type	Position on the Board	Date of first appt.	Date of last appt.	Appointment procedure
MR JOAQUIN Mª MOLINS LOPEZ-RODO		Propietary	DIRECTOR	29/07/2009	30/05/2014	ANNUAL GENERAL MEETING RESOLUTION
NOUMEA, S.A.	MR PABLO MOLINS AMAT	Propietary	DIRECTOR	26/06/1996	29/06/2017	ANNUAL GENERAL MEETING RESOLUTION
FORO FAMILIAR MOLINS, S.L.	MS ROSER RÀFOLS VIVES	Propietary	DIRECTOR	28/06/2007	29/06/2017	ANNUAL GENERAL MEETING RESOLUTION
MR MIGUEL DEL CAMPO RODRÍGUEZ		Another non-executive director	DIRECTOR	21/05/2002	30/05/2014	ANNUAL GENERAL MEETING RESOLUTION
MR FRANCISCO JAVIER FERNÁNDEZ BESCÓS		Propietary	DIRECTOR	31/05/2012	29/06/2017	ANNUAL GENERAL MEETING RESOLUTION
MR JUAN MOLINS MONTEYS		Propietary	DIRECTOR	29/06/2017	29/06/2017	ANNUAL GENERAL MEETING RESOLUTION

Total number of directors	13

Indicate any removals of directors during the year:

Name or company name of director	Director's status at the time of removal	Leaving date
MR CASIMIRO MOLINS RIBOT	Propietary	25/06/2017
MR JOAQUIM MOLINS AMAT	Propietary	13/07/2017
MR EMILIO GUTIERREZ FERNANDEZ DE LIENCRES	Propietary	29/06/2017

C.1.3 Fill in the following tables on the members of the Board and their status:

EXECUTIVE DIRECTORS

Name or company name of director	Position per company organisation chart
MR JULIO RODRÍGUEZ IZQUIERDO	Managing Director

Total number of executive directors	1
Total % of Board	7.69%

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of significant shareholder represented or proposing appointment
MR JUAN MOLINS AMAT	NOUMEA, S.A.
MR FRANCISCO JAVIER FERNÁNDEZ BESCÓS	CARTERA DE INVERSIONES C.M., S.A.
MR JOAQUIN Mª MOLINS LOPEZ-RODO	OTINIX, S.L.
CARTERA DE INVERSIONES C.M., S.A.	CARTERA DE INVERSIONES C.M., S.A.
NOUMEA, S.A.	NOUMEA, S.A.
OTINIX, S.L.	OTINIX, S.L.
FORO FAMILIAR MOLINS, S.L.	NOUMEA, S.A.
MR JUAN MOLINS MONTEYS	NOUMEA, S.A.

Total number of proprietary directors	8
Total % of Board	61.54%

INDEPENDENT NON-EXECUTIVE DIRECTORS

Name or company name of director:

EUSEBIO DIAZ-MORERA PUIG-SUREDA

Profile:

Graduate in Economics and Master's Degree from IESE. Extensive knowledge of the financial sector. Proposed by the Remuneration and Appointments Commission.

Name or company name of director:

MS ANDREA KATHRIN CHRISTENSON

Profile:

Graduate in Economic and Social Sciences from Vienna University of Economics and Business, MBA from IESE, Universidad de Navarra, AMP (Advanced Management Program) from IESE, Universidad de Navarra and Diploma in Dispute Resolution from the Munich Dispute Resolution Institute. Proposed by the Remuneration and Appointments Commission.

Name or company name of director:

MS SOCORRO FERNANDEZ LARREA

Profile:

Civil Engineer graduated from the Technical University of Madrid, class of 1990. Holds a APM from IESE, class 2011. Proposed by the Remuneration and Appointments Commission.

Total number of independent directors	3
Total % of Board	23.08%

Indicate whether any director classified as independent receives from the company or the group any payment or benefits other than directors' remuneration, or has o has had, in the preceding year, business dealings with the company or any group company on their own account or as a significant shareholder, director or senior executive of a company that has or has had such dealings.

No.

Where applicable, a reasoned declaration from the board shall be included giving the reasons why it considers that the director in question may discharge his/her functions as an independent director.

OTHER NON-EXECUTIVE DIRECTORS

Identify other non-executive directors and give details of the reasons why they cannot be considered proprietary or independent directors and of their relationship links with the company, its executives or shareholders.

Name or company name of director:

MIGUEL DEL CAMPO RODRÍGUEZ

Company, executive or shareholder with whom he retains the link:

MIGUEL DEL CAMPO RODRÍGUEZ

Reasons:

Miguel del Campo Rodríguez has changed from independent director to other external directors after having been a company director for over 12 years.

Total number of other non-executive directors	1
Total % of Board	7.69%

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

Name or company name of director	Date of the change	Previous category	Current category
MIGUEL DEL CAMPO RODRÍGUEZ	27/07/2017	Independent director	Another non-executive director

C.1.4 Fill in the following table with the information relating to the number of female directors in the last 4 years, and the classification thereof:

	Number of female directors				% by type of director of total directors			
	Year 2017	Year 2016	Year 2015	Year 2014	Year 2017	Year 2016	Year 2015	Year 2014
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Propietary	2	2	2	2	25.00%	20.00%	20.00%	22.22%
Independent director	2	1	1	0	66.66%	33.33%	33.33%	0.00%
Other non-executive directors	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	4	3	3	2	30.77%	21.43%	21.43%	16.67%

C.1.5 Explain any measures, where applicable, that have been taken to try to include in the Board of Directors a certain number of women to achieve a balanced presence of women and men.

Detail of measures
Over the past few years, the Board of Directors has tried to increase the number of female directors in the Board of Directors. For this reason, the Board of Directors' Regulations establish that vacancies must be filled giving priority to diversity in terms of gender, expertise and knowledge. Additionally, the Selection and appointment policy for Directors aims, among others, at promoting the balanced representation of mean and women within the Board of Directors, avoiding any implicit discriminatory biases due to any reason whatsoever. In accordance with the Board of Directors' Regulations and the Selection and Appointment Policy for Directors, over the past few years, the selection of female directors has been promoted, reaching a percentage equivalent to 30% of female directors.

C.1.6 Explain any measures agreed upon by the nomination committee, where applicable, to ensure that the selection process does not suffer from any implicit bias against women candidates and that women with the target profile are deliberately sought and included as potential candidates:

Detail of measures
As part of the selection processes to cover the vacancies in the Board of Directors, there has been a deliberate search for candidates who, meeting the required profile previously defined by the Remuneration and Appointments Commission and in line with the Selection Policy for Directors, were women.

When, in spite of any measures which might have been adopted if appropriate, there are few or no female directors, explain the reasons justifying the situation:

Explanation of the reasons
The current number of female directors is four, representing 30.77% of the total members in the Board of Directors.

C.1.6 bis Explain the conclusions of the Nomination Committee regarding the verification of compliance with the director selection policy. In particular, in relation to how this policy is fostering the objective that by 2020 female directors should represent, at least, 30% of the total members of the Board of Directors.

Detail of conclusions
During the financial year 2017, the Remuneration and Appointments Commission, in the discharge of its duties in connection with the report or proposal with regards to the appointment of directors, has verified compliance with the Selection Policy for Directors, having concluded that the objectives established in the Corporate Governance Recommendations have been met, since the Company covered one of the vacancies for a post of Director following the death of the President Mr Casimiro Molins Ribot and the director Mr Joaquim Molins Amat, both of them proprietary directors, through the appointment of an independent director, Ms Socorro Fernández Larrea. Currently, gender diversity has been promoted with regards to selection, with female directors representing 30.77% of the Board of Directors.

C.1.7 Explain the form of representation on the board of the shareholders holding a significant ownership.

The managing bodies of the shareholders holding a significant ownership interest participating in the concerted action agreement described in section A.6 (Otinix, S.L., Cartera de Inversiones C.M., S.A. and Noumea, S.A.), propose, by mutual agreement, the nomination of 7 of the 8 proprietary directors and the significant shareholder Noumea, S.A., also proposes the nomination of Foro Familiar Molins, S.L.

C.1.8 Explain the reasons for the appointment of any proprietary directors at the request of shareholders controlling less than 3% of the share capital:

Indicate any rejection of a formal request for a place on the Board from shareholders whose ownership interest is equal to or greater than that of others whose nomination of proprietary directors was accepted. Explain the reasons for the rejection.

Yes ☐ No ☒

C.1.9 Indicate whether any directors resigned from office before the expiration of their term of office, whether and in what manner the director explained the reasons for resignation to the Board and, in the event that resignation was tendered in writing to the Board in full, detail below the reasons given by the director:

C.1.10 Indicate what powers, if any, that have been delegated to the chief executive officer(s):

Name or company name of director:

MR JULIO RODRÍGUEZ IZQUIERDO

Brief description:

The Chief Executive Officer may, individually, exercise all the powers of the Board of Directors, except those which by law cannot be delegated, in accordance with the resolutions of the Board of Directors meeting held on 30 June 2015.

C.1.11 Identify, as appropriate, the Board members who hold office as directors or executives at other companies forming part of the listed company's group:

Name or company name of director	Name of Group entity	Position	Executive functions
MR JUAN MOLINS AMAT	CEMOLINS INTERNACIONAL, S.L.U.	CHAIRMAN	NO
MR JUAN MOLINS AMAT	CORPORACION MOCTEZUMA S.A. DE C.V.	CHAIRMAN	NO
MR JULIO RODRÍGUEZ IZQUIERDO	INSUMOS Y AGREGADOS DE COLOMBIA S.A.S.	DIRECTOR	NO
MR JULIO RODRÍGUEZ IZQUIERDO	EMPRESA COLOMBIANA DE CEMENTOS S.A.S.	DIRECTOR	NO
MR JULIO RODRÍGUEZ IZQUIERDO	SOTACIB KAIROUAN, S.A.	CHAIRMAN	NO
MR JULIO RODRÍGUEZ IZQUIERDO	CEMENTOS ARTIGAS, S.A.	DEPUTY CHAIRMAN	NO
MR JULIO RODRÍGUEZ IZQUIERDO	SOCIETE TUNISO-ANDALOUSE DE CIMENT BLANC. DE CIMENT BLANC SOCIETÉ SOTACIB, S.A.	CHAIRMAN	NO
MR JULIO RODRÍGUEZ IZQUIERDO	LAFARGEHOLCIM BANGLADESH LIMITED	DIRECTOR	NO
MR JULIO RODRÍGUEZ IZQUIERDO	CEMOLINS INTERNACIONAL, S.L.U.	DIRECTOR	NO
MR JULIO RODRÍGUEZ IZQUIERDO	CORPORACION MOCTEZUMA S.A. DE C.V.	DIRECTOR	NO
MR JULIO RODRÍGUEZ IZQUIERDO	CEMENTOS AVELLANEDA, S.A.	CHAIRMAN	NO
MR JULIO RODRÍGUEZ IZQUIERDO	MINUS INVERSORA, S.A.	CHAIRMAN	NO

C.1.12 Give details, as appropriate, of any directors of the company who are members of the boards of directors of other non-group companies that are listed on official securities markets, as disclosed to the company:

Name or company name of director	Name of Group entity	Position
CARTERA DE INVERSIONES C.M., S.A.	COMPAÑIA GENERAL DE INVERSIONES SA SICAV	CHAIRMAN
MS SOCORRO FERNANDEZ LARREA	RED ELÉCTRICA CORPORACIÓN, S.A.	DIRECTOR

Name or company name of director	Name of Group entity	Position
CARTERA DE INVERSIONES C.M., S.A.	GESIURIS ASSET MANAGEMENT SGIIC, S.A.	DIRECTOR

C.1.13 Give details, where appropriate, of any rules established by the Company with respect to the number of boards to which its directors may belong:

Yes [X] No [ ]

Detail of rules
Detail of rules Article 16.8 of the Board of Directors Regulations establishes that the Nomination and Remuneration Committee shall ensure that the non-executive directors have enough time to correctly discharge their functions. In this connection, the directors may not, unless expressly authorised by the Board, with a prior report from the Nomination and Remuneration Committee, be members of more than eight Boards, excluding (i) the Boards of companies in the same group as the Company, (ii) the Boards of family or asset-holding companies of the directors or their relatives and (iii) the Board of which they are members due to their professional relationship.

C.1.14 Repealed section.

C.1.15 Indicate the total remuneration of the board of directors:

Remuneration of the board of directors (thousands of euros)	1,461
Amount of pension rights accumulated by current directors (thousands of euros)	2,498
Amount of pension rights accumulated by former directors (thousands of euros)	0

C.1.16 Identify the senior executives who are not executive directors and indicate the total remuneration paid to them during the year:

Name or company name	Position
MR SALVADOR FERNÁNDEZ CAPO	General Manager - Operations
MR CARLOS MARTÍNEZ FERRER	Corporate General Manager
MR JORDI MOLINS AMAT	Director of the Corporate Law Department
MR MARCOS CELA REY	Business Director Bangladesh, Tunisia and Colombia
MR ÁNGEL CERCÓS CASALÉ	Strategy and Sustainability Manager
MS EVA GONZÁLEZ ANDREU	Corporate Human Resources Director
MR XAVIER ESCUDÉ TORRENTE	Manager Management Control
MR JUAN MOZO GÓMEZ	Internal Auditor
MR FRANCISCO JAVIER MOLINS AMAT	Manager for Argentine, Uruguayan and Bolivian investees
MR SANTIAGO CALVO JIMÉNEZ	Corporate Technical Manager

Total remuneration of senior executives (thousands of euros)	2,836

C.1.17 Indicate, as appropriate, which members of the Board are, in turn, members of the Boards of Directors of companies that hold significant ownership interests and/or Group companies:

Name or company name of director	Company name of significant shareholder	Position
MR JUAN MOLINS AMAT	CARTERA DE INVERSIONES C.M., S.A.	CHAIRMAN
MR JUAN MOLINS AMAT	NOUMEA, S.A.	DIRECTOR
MR JOAQUIN Mª MOLINS LOPEZ-RODO	OTINIX, S.L.	DIRECTOR

Give details, as appropriate, of any material relationships, other than those envisaged under the preceding heading, of the members of the Board of Directors with significant shareholders and/or at group companies:

C.1.18 Indicate the amendments, if any, to the Board Regulations during the year:

Yes ☐ No ☒

C.1.19 Indicate the procedures for the appointment, re-election, evaluation and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

The shareholders at the General Meeting or, where appropriate, the Board of Directors shall have the power to designate the members of the Board in conformity with the Spanish Public Limited Liability Companies Law (LSC) and in the Articles of Association.

In order to be a Director, it is not necessary to be a shareholder. To fill vacancies arising during the director appointment period, in which case the Board will be able to appoint the people that will fill these positions until the next General Meeting.

The Board of Directors currently has thirteen members. Directors are appointed by the Annual General Meeting for a maximum of 4 years, although they may be re-appointed on an indefinite basis for periods of up to four years each term, except for the directors considered to be independent, who shall not remain in their position as independent directors for a continuous period of more than 12 years.

The proposal for the appointment or re-election of directors which the Board submits to the General Meeting, as well as provisional appointments by the method of co-optation, shall be approved by the Board of Directors:

(i) on the proposal of the Remuneration and Nomination Committee, in the case of independent directors, or
(ii) subject to a report from the Nomination Committee in all other cases.

The proposal must be accompanied by a supporting report from the Board that assesses the competence, experience and merits of the proposed candidate.

At the Board of Directors meeting held on 28 April 2016, the director selection policy was approved, the main contents of which is as follows:

(i) Objectives of the candidate selection:
- To appoint people who will foster diversity of knowledge, experience and gender on the Board.
- To aim for at least 30% of the total members of the Board being female in 2020.

(ii) Selection processes:
- The Board of Directors, subject to a report from the Nomination and Remuneration Committee, should conduct prior analysis of the Company's needs.
- To aim for the Board having a balanced makeup, with an ample majority of non-executive directors and an appropriate ratio of proprietary and independent directors.
- The Molins family owns an ample majority of the Company's share capital. Since the appointment of directors normally takes place through application of the proportionality system established in the Spanish Limited Liability Companies Law, substantially all of the directors are proprietary and independent directors. Also, the proportion of proprietary directors as a percentage of the total non-executive directors should not exceed the proportion of the Company's capital they represent.
- Any director may propose candidates for the Board of Directors, provided they meet the requirements established in the Company's various corporate governance rules.
- The Company may collaborate with external advisers in the validation of candidates.
- The selection process should avoid any manner of implicit bias that might entail discrimination and, specifically, that hinders the selection of female directors.

(iii) Candidates should meet the following requirements:
- They should be honourable, suitable, of acknowledged solvency, training, competence, experience, qualification, and be available for, and committed to their function.
- They should be professionals whose conduct and career are aligned with respect for the law and good commercial practices.

- The Nomination and Remuneration Committee should ensure that the non-executive directors have sufficient time available for the correct discharge of their functions. In this sense, Directors cannot, unless with the express authorisation of the Board, after a report from the Remuneration and Appointments Commission, form part of more than 8 boards of directors. The foregoing does not apply to:
- Boards of Group Companies,
- Boards of family companies of Directors or their families and
- Boards of which they form part as a result of a professional relationship.

(iv) Barriers to being a candidate for the Board of Directors.
- Those who are involved in an incompatibility lawsuit for the discharge of their position.
- Those who do not meet the requirements to be a director established in the corporate governance system.
- Directors or senior executives of Spanish or foreign companies in the cement sector that might be considered the Company's competitors.
- Natural or legal persons who discharge the position of director at more companies than permitted under the Board of Directors Regulations.
- Those who are in a situation of conflict of interest with the Company.
- Those who have been involved in circumstances that might give rise to their membership of the Board of Directors damaging the Company's name or reputation.

At all times, the General Meeting may resolve the removal of the directors when deemed appropriate for the interests of the Company. Directors shall cease to sit on the Board when the period for which they were appointed elapses, and in all other cases provided for by law, the bylaws or the Board of Directors Regulations.

In accordance with the provisions of Article 11 of the Board of Directors Regulations, the Board of Directors in plenary session shall assess once a year, inter alia, the efficiency of the functioning of the Board and of its committees, the diversity of its makeup and the performance of each director.

On the basis of the outcome of this evaluation, the Board of Directors shall propose an action plan correcting the identified deficiencies. The result of the evaluation shall be recorded in the minutes of the meeting and attached thereto as an appendix.

C.1.20 Describe to what extent the annual assessment has given rise to important changes in its internal organisation and on the procedures applicable to its activities:

Description of the amendments
The annual self-assessment did not give rise to any important changes in the internal organisation of or the procedures applicable to the Board.

C.1.20.bis Describe the assessment and the areas assessed by the Board of Directors, aided, where applicable, by an external adviser, in relation to the diversity of its composition and its competencies, of the functioning and composition of its committees, of the performance of the Chairman of the Board and the chief executive of the Company and the performance and contribution of each director.

On a yearly basis, typically in November, the Committee commissions an external consultant to prepare a questionnaire to be used, after being completed by the directors, as the basis for a report issued by the consultant, which will be subsequently analysed by the Board itself with regards to its functioning.

The aforementioned questionnaire, with a total of 35 questions, is divided in three different sections:

A.- Assessment of the quality and efficiency of the Board’s operations with regard to the Board’s composition and dynamics, the creation of value and strategy, transparency and relationship with shareholders, Corporate Governance and Corporate Social Responsibility (RSC).

B.- Assessment of the functioning of the Delegated Commissions of the Board of Directors, assessment of the Auditing and Compliance Commission and the Remuneration and Appointments Commission.

C.- Self-evaluation of the Board of Directors in order to gather opinions and suggestions on the self-evaluation process itself.

After issuing this Report, the Remuneration and Appointments Commission analyses its content and submits to the Board of Directors the final part of the process to self-evaluate the Board of Directors.

The Board of Directors decided not to carry out individual assessment of the directors. After this, the Board at its meeting on 27 February 2017, in the light of the Reports prepared by the Remuneration and Appointments Commission, the Auditing and Compliance Commission as well as the report issued by the external consultant, unanimously agreed to consider that the assessment of the quality and efficiency of the functioning of the Board of Directors, the Auditing and Compliance Commission and the Remuneration and Appointments Commission had been completed.

Similarly, at the meeting of the Remuneration and Appointments Commission held on 27 February 2017, after analysing the consultant's Report, it was agreed to present it in the plenary of the Board Meeting to be held, in order to self-assess it, as was done. At the same meeting, the action plans to correct the weaknesses detected in the assessment were proposed to the Board of Directors and, after the assessment conducted by the Committee itself, it was proposed that the performance of the functions carried out by the President and the CEO should be regarded as satisfactory by the Board, as the Board of Directors actually agreed.

C.1.20. ter Disclosure, if any, of the business relationships that the adviser or any company from its group has with the company or any company from its group.

The external adviser used for the assessment of the Board of Directors is Miguel Trías Sagnier, partner of Cuatrecasas Gonçalves Pereira.

In 2017 this firm had the following business relationships with Cementos Molins, S.A. and the companies in its Group:

- Tax advisory services to the Cementos Molins Group.
- Legal advice to study the change of registered office of the Group companies.
- Advisory services and participation in the recovery of the excise tax on the retail sale of certain hydrocarbons by the subsidiaries Promotora Mediterránea-2, S.A.
- Social Security Report.

C.1.21 Indicate the cases in which the directors must resign.

1. Pursuant to Article 15 of the Board Regulations, proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

2. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Remuneration and Nomination Committee. In particular, just cause will be presumed to exist when a director moves into new positions or incurs new obligations preventing them from devoting the necessary time to perform the duties inherent to a director, when they are in breach of the duties inherent to their post or when they are in the any of the circumstances resulting in the loss of their independent status according to the applicable legislation.

3. The removal of independent directors resulting from Public Acquisitions, Fusions or other similar company operations that suppose a change in the structure of the Company's share capital may also be proposed, when such changes in the structure of the Board of Directors are caused by the proportionality criteria established in the Company.

4. The directors are required to notify and, if appropriate, resign in the event that the credit and reputation of the Company may be prejudiced. In particular, the Directors are required to notify the Board of Directors of any criminal charges brought against them, in addition to the status of any subsequent court or legal proceedings. In the event of the director being prosecuted or having a court order issued against them initiating trial proceedings for any of the crimes set out in Spanish Company Legislation, the Board shall examine the case as soon as possible and, depending on the specific circumstances, shall decide whether or not the director should continue to hold office. The Board shall also disclose all such determinations, giving a reasoned account thereof, in the Annual Corporate Governance Report.

C.1.22 Repealed section.

C.1.23 Are qualified majorities, other than statutory majorities, required for any type of decision?:

Yes ☐ No ☒

If so, describe the differences.

C.1.24 Explain whether there are any specific requirements, apart from those relating to directors, to be appointed chairman.

Yes ☐ No ☒

C.1.25 State whether the chairman has a casting vote:

Yes [X] No [ ]

Matters on which there is a casting vote
Article 28 of the bylaws and Articles 10 and 21 of the Council Regulation indicate that voting the Chairman of the Board of Directors shall be casting vote in the event of a tie, except in the event of permanent delegation of powers.

C.1.26 Indicate whether the bylaws or the Board Regulations set any age limit for directors:

Yes [ ] No [X]

C.1.27 Indicate whether the bylaws or Board Regulations set a limited term of office for independent directors, other than that established in the legislation:

Yes [ ] No [X]

C.1.28 Indicate whether the bylaws or the Board of Directors' Regulations establish specific rules for appointing proxies to vote at Board meetings, how they are granted and, in particular, the maximum number of proxies that a single director may hold and whether it is obligatory to appoint proxies to a director of the same type. If so, provide a brief description of the rules.

Article 10.2 of the Board Regulations provides that directors may appoint any other director as his/her proxy for the Board meeting without limiting the number of proxies that each director may hold. Only non-executive directors may delegate their representation to another non-executive. The representation shall be granted with proper instructions.

Article 28 of the bylaws states that proxies shall be granted in a letter to the Chairman.

C.1.29 Indicate how many Board of Directors meetings were held during the year. Also indicate any occasions on which the Board held meetings in which the Chairman was not present. The calculation of attendance shall include proxies granted with specific instructions.

Number of Board meetings	15
Number of Board meetings without chairman's attendance	3

If the President is executive director, indicate the number of meetings held without the assistance or representation of any executive director and chaired by the coordinating director.

Number of meetings	0

Indicate how many meetings of the various Board committees were held during the year:

Committe	Number of meetings
AUDIT COMMITTEE	8
REMUNERATION AND APPOINTMENTS COMMISSION	10

C.1.30 Indicate the number of Board meetings held during the year that were attended by all the directors. The calculation includes the attendance of representatives granted without specific instructions.

Number of meetings attended by all the directors	11
Attendance as % of the total votes during the year	73.33%

C.1.31 Indicate whether the separate and consolidated financial statements submitted for approval by the Board are certified previously:

Yes [X] No [ ]

Indicate, as appropriate, the person(s) who certified the company's separate and consolidated financial statements for authorisation for issue by the Board:

Name	Position
MR CARLOS MARTÍNEZ FERRER	CORPORATE GENERAL MANAGER
MR ANTONIO MARTÍN DEL RÍO	GENERAL MANAGER - CEMENTOS MOLINS INDUSTRIAL, S.A.U.

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent qualified auditors' reports on the separate and consolidated financial statements prepared by it from being submitted at the General Meeting.

The Audit Committee shall support the Board of Directors in relation to its surveillance duties through the periodic review of the economic and financial information preparation process, the company s internal controls and the independence of the company s external auditor. As provided by the Article 27.4 of the Board of Directors' Regulations.

In performing its functions, the Audit Committee must evaluate the need to adapt the financial statements prepared by the Board of Directors on the basis of the notes or qualifications outlined by the company's auditors and, accordingly, make a proposal to the Board of Directors so that it can make an informed decision. If it is not possible to adapt the financial statements in order to avoid a qualified auditors' report, the Chairman of the Audit Committee and the company's auditors shall give a clear account to the shareholders of the notes or qualifications.

C.1.33 Is the Board secretary a director?

Yes [ ] No [X]

If the secretary is not a director, complete the following chart:

Name or company name of the secretary	Representative
MR JORDI MOLINS AMAT	

C.1.34 Repealed section.

C.1.35 Indicate the mechanisms, if any, established by the Company to preserve the independence of the auditors, of financial analysts, investment banks and of rating agencies.

Article 27.8.1 of the Board of Directors Regulations stipulates that the Audit Committee is responsible, inter alia, for ensuring the independence of the external auditors, for such purpose:

(i) Establishing the proper relationships with the external auditor to receive information on matters that may compromise their independence, to be examined by the Auditing and Compliance Commission, and on any other matters related to the development process of the accounts audit, and, when applicable, the authorisation of services other than those forbidden, in the terms set forth by the applicable regulations in regards to the independence regime, as well as any other communications provided by law regarding accounts auditing and by the audit regulations. In any event, each year the auditors will be required to furnish written confirmation of their independence with respect to the entity or entities related directly or indirectly to the company, as well as the information on any manner of additional services provided to the aforementioned entities by the auditors, or by any legal persons o entities related thereto, in accordance with the Audit Law.
(ii) Issue annually, prior to the issue of the auditor's report, a report expressing an opinion on the independence of the auditors. This report must contain, in any case, an assessment motivated from the provisions of each and every additional service referred to in the previous section, considered individually and as a group, different to the legal audit and in relation to the independence regime or the governing regulations of the accounts audit activity.
(iii) Ensure that the remuneration of the external auditor for its work does not compromise its quality or their independence.
(iv) Supervise that the company notifies any change of auditors to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditors and the reasons therefore.
(v) The Committee should ensure that the company and the auditors adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditors' business and, in general, other requirements designed to safeguard auditors' independence.
(vi) The Committee should investigate the issues giving rise to the resignation of any external auditors;
(vii) Prevail on the Group's auditors to take on the audit of the Group companies.
(viii) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session to inform it of the work performed and the changes in the accounting situation and risks of the Company.

Likewise, in 2017, the Board of Directors of Cementos Molins, S.A. approved the Relations and Recruitment Policy jointly with the auditor. This Policy aims at defining the guidelines followed by the Cementos Molins Group to contract auditors of both individual and consolidated financial statements, thus ensuring compliance with the applicable Account Auditing Law. Additionally, this policy defines the guidelines for independence, transparency and relationship between both parties in order to guarantee them.

C.1.36 Indicate whether the Company changed its external auditors during the year. If so, specify the outgoing and incoming auditors.

Yes ☐ No ☒

In the event of any disagreement with the outgoing auditors, specify the substance thereof:

C.1.37 Indicate whether the audit firm performs other non-audit work for the Company and/or its Group, and if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the Company and/or its Group:

Yes ☒ No ☐

	Company	Group	Total
Amount of other non-audit work (thousands of euros)	7	20	27
Amount of other non-audit work / total amount billed by audit firm (as a %)	7.78%	7.65%	7.68%

C.1.38 Indicate whether the auditors' report for the previous year included any reservations or qualifications. If so, specify the reasons given by the chairman of the Audit Committee to explain the content and scope of the reservations or qualifications.

Yes [ ] No [X]

C.1.39 Indicate the number of years that the current audit firm has been uninterruptedly auditing the financial statements of the company and/or the group. Also indicate the number of years audited by the current audit firm as a percentage of the total number of years during which the financial statements have been audited:

	Company	Group
Number of uninterrupted years	28	28
Number of years audited by current audit firm / number of years the company has been audited (as a %)	100.00%	100.00%

C.1.40 Indicate whether there is a procedure for directors to be able to receive outside advisory services, and if so, give details:

Yes [X] No [ ]

Details of the procedure

Article 18 of the Board Regulations establishes in relation to the directors' right to receive advisory services and information that:

1. The directors shall have access to all the Company's services and may, with the broadest powers, obtain the information and advisory services they need on any aspect relating to the Company, provided that it is required for the discharge of their duties. The right to information extends to the subsidiaries, whether domestic of foreign, and shall be channelled through the Chairman, the Chief Executive Officer, the General Manager or the Secretary of the Board, who shall meet the requests of the director, providing him or her with the information directly, offering the appropriate liaisons or making the necessary arrangements to fulfil his or her request.

2.- Regardless of the knowledge required of the directors to discharge their functions, the Company offers the directors refresher courses relating to such knowledge when advisable under the circumstances.

3.- The agenda of the sessions will indicate clearly those points on which the Board of Directors shall adopt a decision or a resolution so that the directors can study or gather the information required for the adoption thereof beforehand.
When on an exceptional basis due to emergencies, the Chairman wishes to submit for the approval of the Board decisions or resolutions that are not part of the agenda, the prior and express consent of the majority of the directors in attendance shall be necessary, which must be recorded in the minutes.

4.- The directors shall be regularly informed of the changes in the shareholder structure and of the opinion that the significant shareholders, investors and credit rating agencies have of the Company and its Group.

Also, as stipulated in Article 25.2 c) of the Regulations of the Board of Directors, the Audit Committee and the Nomination and Remuneration Committee may engage external advisors when they feel this is necessary for the discharge of their duties.

C.1.41 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance, and if so, give details:

Yes [X] No [ ]

Details of the procedure

As per Article 18.4 of the Regulations of the Board of Directors, the agenda of the sessions will indicate clearly those points on which the Board of Directors shall adopt a decision or a resolution so that the directors can study or gather the information required for the adoption thereof beforehand.

Furthermore, Article 21.5 of the aforementioned Regulations establishes for the Chairman of the Board, with the collaboration of the Secretary, the obligation to ensure that the directors receive, beforehand and sufficiently in advance of the meetings, sufficient information to deliberate on and adopt resolutions on the business to be transacted, unless the Board of Directors was called on an exceptional basis due to an emergency.

C.1.42 Indicate whether the company has established rules obliging directors to report and, if applicable, resign, in situations which could harm the company's good name and reputation and if so, give details:

Yes [X] No [ ]

Explain the rules
According to Article 15.5 of the Regulations of the Board of Directors, directors are obliged to report and, where appropriate, resign in cases that could damage the credit and reputation of the company. In particular, it is obligated to inform the Board of criminal cases in which they are involved, as well as their subsequent trial. In the event of the director being prosecuted or having a court order issued against them initiating trial proceedings for any of the crimes set out in Spanish Company Legislation, the Board shall examine the case as soon as possible and, depending on the specific circumstances, shall decide whether or not the director shall continue in their role. The Board shall also disclose all such determinations, giving a reasoned account thereof, in the Annual Corporate Governance Report.

C.1.43 Indicate whether any of the directors have informed the company of any indictments or the commencement of oral proceedings against him/her for any of the offences specified in Article 213 of the Spanish Public Limited Liability Companies Law:

Yes [ ] No [X]

Indicate whether the Board of Directors has examined the matter. If so, give reasons for the decision taken for the continuation or otherwise of the director in his/her position or, where applicable, detail the actions undertaken, or intended to be undertaken, by the Board of Directors at the date of this report.

C.1.44 Give details of the significant agreements entered into by the Company which take effect, are amended or terminated in the event of a change of control of the Company following a takeover bid and the effects thereof.

The company has entered into and deposited five shareholders agreements at the Spanish National Securities Market Commission for public knowledge.

The first, signed on 15 May 2009 by Cementos Molins, S.A. and Cemolins Internacional, S.L.U. on the one hand, and Buzzi Unicem, SpA and Buzzi Unicem Internacional, S.à.r.l. on the other hand, regarding the subsidiary Fresit, B.V. (Holland). This agreement has been replaced and superseded by the agreement entered into on 22 December 2015 by Cementos Molins, S.A. and Cemolins Internacional, S.L.U., of the one part, and Buzzi Unicem Spa and Buzzi Unicem International S.À.R.L., of the other part, relating to FRESIT BV and PRESA INTERNATIONAL BV and their investees.

The second, relating to Cementos Avellaneda, S.A. (Argentina) entered into on 18 December 2012, by Cementos Molins, S.A., Cemolins International, S.L.U. and Minus Inversora, S.A., on one part, and the Votorantim Group, on the other part. (Argentina).

Thethird, entered into on 18 December 2012, by Cementos Molins, S.A. and Cemolins Internacional, S.L.U. on one part, and the Votorantim Group, on the other part (Uruguay).

The fourth one, signed on 31 July 2014, by Cementos Molins, S.A. and Cemolins Internacional, S.L.U. on the one hand, and Votorantim Cimentos EAA Inversiones, S.L.U. and Votorantim Cimentos, S.A., on the other hand, regarding Yacuces, S.L. and its subsidiaries in Bolivia.

The fifth one, signed on 30 September 2015, by Cementos Molins, S.A. and Cemolins Internacional, S.L.U. on the one hand, and Suministros de Colombia S.A.S. y Corona Industrial S.A.S., on the other hand, regarding the Colombian investees Insumos y Agregados de Colombia, S.A.S. and Empresa Colombiana de Cementos S.A.S.

All five agreements provide that change of control of either of the parties grants the other party a pre-emption right on the ownership interest held by the party whose control changes of the companies that are the subject-matter of the agreement.

C.1.45 Identify in aggregate terms and indicate in detail the agreements between the Company and its directors, executives or employees which provide for termination benefits, guarantee or golden parachute clauses upon resignation or dismissal without justification or upon termination of the employment relationship as a result of a takeover bid or other kinds of transactions.

Number of beneficiaries: 3

Type of beneficiary:

CEO, General Managers.

Description of resolution:

The contract for services between the Company and the Chief Executive Officer establishes that he or she has the right to be paid benefits by the Company in the event of the termination and extinguishment of the service contract for any of the following reasons:

1.- Unilateral termination by the Chief Executive Officer due to serious breach by the Company of its obligations under the service contract.
2.- Unjustified, unilateral termination of the Service Contract by the Company, regardless of whether such termination is accompanied by the resignation or non-renewal of the CEO's position as member of the Company's Board of Directors.
3.- Unilateral termination by the Chief Executive Officer, together with simultaneous resignation from his or her post of director, in the event of a change in the control structure of the Company as provided for in Article 42 of the Spanish Commercial Code by reference to Article 4 of the Securities Market Law, even when it is as a result of a takeover bid for the shares of the Company, or of the assignment or transfer of all or a significant portion of its activities or its assets and liabilities to a third party, or of its inclusion in another business group that acquires control over the Company, which gives rise to the renewal of its governance bodies or a substantial change to its business strategy, in accordance with its business plan in each case.

Except for the circumstances set out in Point 3 above, the Chief Executive Officer shall have be entitled to a compensation equal to: (i) one hundred and fifty (150) per cent of their monetary remuneration, including the variable remuneration component foreseen in section 3.3.1 of the Service Contract, calculated on the remuneration for the year prior to the one in which the contract termination occurs if this termination in line with section 8.1 above occurs before 30 June 2017; (ii) seventy-five (75) per cent if this termination occurs after 30 June 2017 and before 30 June 2020; (iii) fifty (50) per cent if the Service Contract terminates after 30 June 2020 and 30 June 2021; (iv) forty-two (42) per cent if the Service Contract terminates after 30 June 2021 and before 30 June 2022; (v) thirty-four (34) per cent if the Service Contract terminates after 30 June 2022 and before 30 June 2023; (vi) twenty-six (26) per cent if the Service Contract terminates after 30 June 2023 and before 30 June 2024; and (vii) eighteen (18) per cent if the Service Contract terminates after 30 June 2024 and before 30 June 2025. If the termination occurs after 30 June 2025, the Chief Executive Officer shall be entitled to no compensation.

In the event of the termination of the contract for services as a result of the scenario envisaged in Point 3 above, the Chief Executive Officer shall have be entitled to benefits equal to three (3) years' monetary remuneration including the variable remuneration component, calculated on the remuneration for the year prior to the one in which the contract termination occurs.

Two agreements entered into by the Company and two directors establish that where the termination arises due to the Company's decision or due to the grounds established in Article 10.3 a), b) and c) of Royal Decree 1382/1985, the termination benefits to be paid shall be the termination benefits relating to unjustified dismissal in common employment legislation, in the amount in force at all times and, at least, equal to three years' gross salary. The same termination benefits would be received by these directors in the circumstance established in Article 10.3 d) of Royal Decree 1382/1985, i.e. in the event of succession of the company or a significant change in the ownership thereof that results in a renewal of its governing bodies or the substance and approach of its main business.

Indicate whether these contracts have to be disclosed to and/or approved by the bodies of the company or of its group:

	Board of Directors	General Meeting
Body authorising the clauses	**Yes**	**No**

	Yes	No
Is the General Meeting informed of the clauses?		X

C.2 Committees of the Board of Directors

C.2.1 Details of all the committees of the Board of Directors, their members and the proportion of proprietary and independent directors that form them:

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
MR EUSEBIO DIAZ-MORERA PUIG-SUREDA	CHAIRMAN	Independent director
NOUMEA, S.A.	MEMBER	Propietary
OTINIX, S.L.	MEMBER	Propietary
MS ANDREA KATHRIN CHRISTENSON	MEMBER	Independent director
MS SOCORRO FERNANDEZ LARREA	MEMBER	Independent director

% of proprietary directors	40.00%
% of independent directors	60.00%
% of non-executive directors	0.00%

Explain the functions entrusted to this committee, describe the procedures and rules relating to the organisation and functioning thereof, and summarise its most significant actions in the year.

The functions, procedures and rules relating to the organisation and functioning of the Audit Committee are described in Article 27 of the Board Regulations.

27.1. The Auditing and Compliance Commission will have between three (3) and seven (7) members, who must be external consultants. At least the majority of the members of the Auditing and Compliance Commission will have to be independent consultants and one of them must have been assigned taking into account their knowledge and experience in accounting, auditing or both. The members of the Committee and its Chairman are appointed by the Board of Directors. The Board will also appoint a Secretary who will not be a member of the Commission, and this position will have to be exercised precisely, by the Secretary or the Vice-secretary of the Company's Board of Directors.

27.2. The members of the Auditing and Compliance Commission, and in particular its President, are to be appointed taking into account their knowledge and experience in accounting, auditing and risk management. As a whole, the members of the Auditing and Compliance Commission will have the necessary technical knowledge on the Company's sector of activity.

27.3. The term of position is two years and may be reappointed thereafter for successive periods of the same duration. The President of the Auditing and Compliance Commission will be selected among its independent consultants and it will be replaced every four years. Re-election will be possible after one year has elapsed since leaving office. Nevertheless, the Board of Directors may decide at any time the cessation of any member of the Commission when it deems appropriate.

27.4. The Auditing and Compliance Commission provides support to the Board of Directors in its monitoring tasks, by regularly reviewing the process for preparing the economic-financial information, the internal controls of the Company and independence the Company's External Auditor.

27.5 The Auditing and Compliance Commission will meet when called by its President, or at the request of two of its members, depending on the current needs and, at least, twice a year.

27.6. All employees or Directors are required to attend the meetings of the Commission and to collaborate and provide access to the information available when so required, and the Commission may request that said appearances take place with no other director present. The Commission may also request the attendance at its meetings of Auditors.

27.7. Cementos Molins, S.A. has an internal audit department which, under the supervision of the Auditing and Compliance Commission, ensures the proper operating of the internal information and control systems and which functionally depends on the President of the Auditing and Compliance Commission. The head of internal audit presents to the Audit Committee his annual work plan; reporting directly on any incidents arising during its development; and submitting an annual activity report.

On the other hand, Article 27.8 of the Regulations of the Board of Directors, available on the website of the Company, www.cemolins.es, details the functions of the Audit Committee in relation to the external auditor, the financial statements, the Internal Audit, the financial reporting, the Board of Directors, information systems and internal control, and the risk control and the management policy.

Insofar as the nature and roles of the Auditing Commission allow, the provisions of the Board of Directors regarding the operation thereof will apply to said Commission.

Furthermore, the most important activities of the Audit Committee in 2017 were as follows:

(i) Review of financial information for the year 2016, corresponding to the financial statements for the first half of 2017 and the information for the first and third quarter of 2017.
(ii) Evaluation of the existing control over the management processes of the computing systems supporting the Company's operations.
(iii) Validation of the various summarized reports on the Company's results, prior to their disclosure to the market.
(iv) Issuance of the report on the independence of the External Auditors and their related operations.
(v) Proposed renewal of Deloitte, S.L. as auditors of the Company for the 2018 financial year.
(vi) Review of the work carried out by Internal Audit in the different companies of the Cementos Molins Group.
(vii) Analysis of the Compliance Program, commissioned by Molins & Silva, Criminal Defense.
(viii) Corporate Governance Policies.
(ix) Ethics and Compliance Committee.

Identify the director who is a member of the Audit Committee who has been appointed taking into consideration his/her knowledge and experience in matters relating to accounting, audits or both, and provide information about the number of years the Chairman has held this position.

Name of experienced director	MR EUSEBIO DIAZ-MORERA PUIG-SUREDA
Number of years as Chairman	0

REMUNERATION AND APPOINTMENTS COMMISSION

Name	Position	Category
MS ANDREA KATHRIN CHRISTENSON	CHAIRMAN	Independent director
MR JOAQUIN Mª MOLINS LOPEZ-RODO	MEMBER	Propietary
CARTERA DE INVERSIONES C.M., S.A.	MEMBER	Propietary
FORO FAMILIAR MOLINS, S.L.	MEMBER	Propietary
MS SOCORRO FERNANDEZ LARREA	MEMBER	Independent director
MR MIGUEL DEL CAMPO RODRÍGUEZ	MEMBER	Another non-executive director

% of proprietary directors	50.00%
% of independent directors	33.33%
% of non-executive directors	16.67%

Explain the functions entrusted to this committee, describe the procedures and rules relating to the organisation and functioning thereof, and summarise its most significant actions in the year.

The functions, procedures and rules relating to the organisation and functioning of the Remuneration and Nomination Committee are described in Article 28 of the Board of Directors Regulations and are summarised as follows:

1. The Remuneration and Appointments Commission shall be made up of a minimum of three (3) and a maximum of seven (7) external directors, understood as those having no executive roles in the Company, to include at least two (2) independent directors. The members of the Committee and its Chairman are nominated by the Board of Directors and should be appointed on the basis that they have the appropriate knowledge, aptitudes and experience for the functions they are appointed to discharge. The Committee Charmain will be chosen from the independent directors who form part of the Committee. The Board will also appoint a Secretary who shall not be a member of the Commission, and this position will have to be discharged precisely, by the Secretary or the Vice-secretary of the Company's Board of Directors.

2. The term of such position is two years, and they can be re-elected for successive periods of the same length. Notwithstanding the above, the Board of Directors can agree to remove, at any time, any member of the Commission when it deems fit.

3. In addition to the functions legally assigned to it, the task of this Commission is to inform and advise the Board of Directors on its decisions falling under its area of competence. Specifically, it shall have the following functions:

a) To propose the Director remuneration policy to the Board of Directors, including that for the remuneration of general directors and those that carry out senior management duties and report directly to the Board, of executive committees or managing directors, in addition to the individual salary and other contractual terms and conditions of executive Directors, ensuring said policies are adhered to.

b) To verify adherence to the Company's payment policy.

c) To regularly review the payment policy applying to Directors and Senior Management, including share or share-based payment systems and their application. It must also ensure that individual remuneration is proportionate to that paid to other Company Directors and Senior Management.

d) To ensure that potential conflicts of interest do not prejudice the independence of external advice given to the Commission.

e) To verify the information on the remuneration of Directors and Senior Management contained in various corporate documents, including the Annual Report on Director Remuneration.

f) To submit to the Board the proposals for the appointment of independent Directors for their designation by co-optation or by way of a decision of the Annual General Meeting, in addition to the proposals for reelection or separation of said Directors by the Meeting.

g) Report appointment proposals of the remaining Directors for their designation by co-optation or by way of a decision of the Annual General Meeting, in addition to the proposals for reelection or separation of said Directors by the Annual General Meeting. The system for appointing the members of the Board Committees. To evaluate the competencies, knowledge and experience necessary for the Board, defining as a result the functions and aptitudes necessary for the candidates who must cover each vacancy, and evaluate the time required to duly perform their roles.

h) Report the proposals for the appointment and removal of senior executives and propose to the Board the basic terms and conditions of their contracts.

i) The Managing Director's proposals for the appointment and removal of senior management and the Board Members of other affiliate companies.

j) Examine and organise, as it deems suitable, the succession of the Chairperson and the first executive and, if appropriate, make proposals to the Board so that said succession takes place in an organised and well-planned fashion.

4. The Remuneration and Appointments Commission shall meet every time the Board or its Chairperson requests a report or the adoption of proposals and, in any case, when it is advisable for the proper performance of its functions. In any case, it shall meet once a year to prepare the information regarding the payment of the Directors, which the Board of Directors has to approve and include in its annual public documentation.

Also, the most important actions of this Committee in 2017 were as follows:

(i) Establishment of the remuneration for the Chief Executive Officer: variable remuneration for 2016, long-term variable remuneration, fixed remuneration for 2017, establishment of individual objectives for 2017.
(ii) Variable remuneration 2016 and 2017 of the Group's Management.
(iii) Long-term variable remuneration of Group management.
(iv) Regulations of the Group's variable remuneration for 2017.
(v) Validation of the variable remunerations for 2016.

(vi) Analysis of the report issued by Mr Miguel Trías Sagnier regarding the evaluation of the Board of Directors in the year 2016 and the proposal of the actions to be taken to improve corporate governance. Recruitment of an external consultor to evaluate the Board and the Board's Committees for the financial year 2017.
(vii) Proposal for the determination of the remuneration of the Board of Directors for the 2018 financial year.
(viii) Report on the Annual Corporate Governance Report and Annual Remuneration Report.
(ix) Reports and proposals on the appointments of directors and positions in the Committees of the Board during 2017.

C.2.2 Fill in the following table with the information relating to the number of female directors sitting on the Board of Directors' committees in the last four years:

	Number of female directors							
	Year 2017		Year 2016		Year 2015		Year 2014	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	3	60.00%	2	40.00%	1	25.00%	1	25.00%
REMUNERATION AND APPOINTMENTS COMMISSION	3	50.00%	2	28.57%	2	28.57%	1	20.00%

C.2.3 Repealed section.

C.2.4 Repealed section.

C.2.5 Indicate, as appropriate, whether there are any regulations for the Board committees; if so, indicate where they can be consulted and whether any amendments have been made during the year. Also indicate whether any annual report on the activities of each committee has been prepared voluntarily.

Name of committee

AUDIT COMMITTEE

Brief description

The regulation of the Audit Committee is set out in Article 27 of the Board Regulations. They are registered at the Mercantile Registry of Madrid and can be consulted on the Company s website (www.cemolins.es).

The Audit and Compliance Committee prepared an annual activities report which served as the basis for the Board of Director's evaluation of the Committees' performance in 2017.

Name of committee

REMUNERATION AND APPOINTMENTS COMMISSION

Brief description

The regulation of the Remuneration and Appointments Commission is set out in Article 28 of the Board of Directors' Regulations. They are registered at the Mercantile Registry of Madrid and can be consulted on the Company s website (www.cemolins.es).

The Remuneration and Appointments Commission has prepared an annual activities report which served as the basis for the Board of Director's evaluation of the Committees' performance in 2017.

C.2.6 Repealed section.

D ELATED-PARTY AND INTRA-GROUP TRANSACTIONS

D.1 Identify the competent body and explain the procedure for approval of any related-party and intra-group transactions.

Procedure for reporting on the approval of related-party transactions

Pursuant to Article 5 of the Board of Directors' Regulations, the Board in plenary session reserves the approval, subject to a favourable report of the Audit and Compliance Committee, of the transactions the Company or Group companies may perform with directors, under the terms of Articles 229 and 230 of the Spanish Limited Liability Companies Law, or with shareholders, individually or together with others, with a significant ownership interest, including the shareholders represented on the Board of Directors of Cementos Molins, S.A. or other companies that form part of the same group or with persons related to them. The directors involved or who represent or are related to the shareholders involved should abstain from participating in the deliberation regarding and voting on the resolution in question. Only the transactions that simultaneously meet the following three requirements will not require this approval:

1. Transactions performed under contracts containing standard terms and conditions and applied en masse to a large number of customers,

2. and effected at prices or rates established on a general basis by the party acting as the supplier of the good or service in question;

3. whose amount does not exceed 1% of the Company's annual income.

D.2 Give details of transactions that are material with regard to the amount thereof or the matter involved between the Company or Group companies and the significant shareholders of the Company:

D.3 Give details of the transactions that are material with regard to the amount thereof or the matter involved between the Company or Group companies and the directors or executives of the Company:

D.4 Give details of material transactions by the Company with other entities of the same Group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and from the standpoint of their subject-matter or terms and conditions are not part of the company's ordinary business.

In any event, details will be provided on any intra-group transactions performed with entities resident in countries or jurisdictions considered to be tax havens:

D.5 Give details of the amount of the transactions performed with other related parties.

D.6 Give details of the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the company and/or its Group and its directors, executives or significant shareholders.

In relation to conflicts of interest, Article 17.2 of the Board Regulations stipulates that:

Directors shall notify the Board of Directors of any situation that may entail a direct or indirect conflict with the company's interests. In the event of a conflict of interest, the directors concerned shall refrain from participating in the transaction to which the conflict refers. In all cases, such situations shall be disclosed in the annual corporate governance report.

D.7 Is more than one Group company listed in Spain?

Yes ☐ No ☒

Indicate the listed subsidiaries in Spain:

Listed subsidiary company

Indicate if the areas of activity and the business relationship between them and the rest of the group companies, have been appropriately described:

Define the eventual business relationship between the parent company and the listed subsidiary company, and those with the rest of the group

Identify the expected mechanisms to solve the eventual conflicts of interest between the listed subsidiary and the rest of the group. Mechanisms to solve the eventual conflicts of interest:

Mechanisms to solve the eventual conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company's risk management system, including tax risks.

The main business of Cementos Molins Group (hereinafter, "the Group") in Spain is the production, sale and distribution of cement, concrete, aggregate, mortar and cement derivatives and prefabricated concrete, and is significantly affected by the evolution of the construction and public works activity that can influence their results, as well as other factors that affect the normal development of their activities and the achievement of their goals.
The Cementos Molins Group has designed a risk management and control system that enables appropriate risk management. The risk management and control system is applied in the following phases:
• Preparation of the risk inventory: the Internal Audit Department of the Cementos Molins Group, on the basis of knowledge of the Group, oversight activities performed and business objectives established by the Group, prepares an inventory of risks that might arise both at corporate and operational level at each business.
• Identification: General Management, the heads of internal audit and other areas identify in a risk inventory the risks to which the Cementos Molins Group companies are exposed.
• Assessment: once the risks to which the Group companies and the Cementos Molins Group itself are exposed have been identified, they are assessed in order to identify the most significant risks. The risk assessment is determined on the basis of the likelihood of occurrence, the impact and the number of businesses and/or areas in which the risk might arise. When assessing risks, techniques based mainly on knowledge, judgement and experience of the persons involved are used.
• Risk map: after selecting the most significant risks, the Group's risk maps, risk maps at corporate level and operational risk maps for each of the subsidiaries are prepared. These risk maps reflect the importance of each of the risks at the businesses.
• Control: after the risks maps have been prepared and assessed, management of each company, internal audit and functional areas determine the necessary measures and define the necessary controls that mitigate the identified risks. In this stage the Internal Audit Department defines the Audit Plan where the reviews and tasks to be accomplished in order to mitigate the previously identified risks are defined.
• Oversight: the risks maps and the identified control measures are the basis of the annual internal audit plan. The Cementos Molins Group also has investments in Argentina, Uruguay, Bolivia, Mexico, Colombia, Bangladesh, India and Tunisia. This implies the incorporation of different regulatory frameworks, markets and financial environments in the Group's transactions. These circumstances evidence the need to manage risks, and devise mechanisms in order to evaluate, treat and minimise them.
To identify the risks of each country in which the Group operates, the Internal Audit Department prepares, together with the internal audit departments of the various countries, a Risk Map aimed at identifying all the risk components of each of the businesses which, following validation by the relevant local general management departments, is submitted, where applicable, to the local audit committees, and finally to the Audit and Compliance Committee.
The risk management and control system is assessed on a yearly basis and the results are submitted to the Audit and Compliance Committee. If necessary, action plans are defined for those controls presenting issues in terms of effectiveness or design.
Regular audits are also conducted and the main incidents and action plans are submitted to the Audit and Compliance Committee and to the Board of Directors.
Lastly, the various committees and senior management report regularly to the Board of Directors of each company in relation to the main risk factors and the measures adopted for their control and management.

E.2 Identify the Company's bodies in charge of preparing and executing the risk management system.

Name of committee or body: Auditing and Compliance Committee.
The main function of the Audit and Compliance Committee is to support the Board of Directors in relation to its oversight duties through the periodic review of the process of preparing the economic and financial information, its internal controls and the independence of the external auditor.

The organisation has an Internal Audit Department for the supervision of the risk management and internal control systems. This body reports to the Corporate Management.
Name of committee or body: Other Committees
The other committees set up by the Group for the control of specific risks are the Commercial Risks Committees.
The senior management of each of the operations is involved in the management and supervision of the risks specific to both the commercial and industrial operations of each of the businesses.
In addition, the Corporate Finance Department analyses and manages financial risk, foreign currency risk, interest rate risk, risk in relation to industrial assets and risk related to possible environmental impacts. In general this department intervenes directly in relation to the risks of those companies over which the Group holds direct ownership and control, and provides supervision and advisory services in those companies jointly managed with other shareholders.
The Corporate Tax function analyses, oversees, manages and provides advisory services regarding the tax risks affecting the various businesses and their possible equity impact on the Group's financial statements. It intervenes directly in relation to those companies over which the Group holds direct ownership and control, and provides advisory and supervision services in conjunction with the local functions at those companies jointly managed with other shareholders.
It should also be noted that the Group has specific commercial, industrial, internal audit, legal, financial, tax and human resource functions in the business units of each of its foreign operations which, in coordination with the business and its counterparts in the Corporate Managements of the Group, are responsible for compliance with the applicable legislation in each case.

E.3 Give details of the main risks that might affect the achievement of the business objectives.

In general the main risk is the performance of the economies in each of the countries in which the Company operates. The future performance of these companies basically depends on the performance of the construction markets in terms of both building construction and civil engineering work, which are the Company's main sources of business.
The proper operation of the industrial assets and ensuring the supply of the main raw materials are a key business element.
The political and social stability, combined with the regulatory levels of the public authorities, are further key elements that may affect the normal course of the Company's business activities.
The different tax legislations of the countries and any possible changes thereto should also be considered when evaluating the risks faced by the Group.
Lastly, it should be noted that the Group's degree of internationalisation also gives rise to a certain degree of exposure to the evolution of the main macroeconomic variables of each country and, accordingly, the exchange rate, inflation and the interest rate play a fundamental role in terms of the Company's ability to achieve its objectives.

E.4 Identify whether the entity has a risk tolerance level.

The Company does not establish specific risks levels in the day-to-day management of its operations, but manages each risk individually for the purpose of minimising their possible negative impact.

E.5 Give details of any risks that arose during the year.

The markets in Spain are still frail and the difficulties of obtaining a solid recovery in the construction industry continue. Rise of the regulated costs in Tunisia, tariff difficulties in the international commerce and economic and politic turmoil had a negative impact on exports.
Exposure to currency fluctuations in those countries where the Group operates, in particular, the depreciation of the currencies in Argentina and Uruguay and its negative impact on the exchange differences in our consolidated balance sheet.

E.6 Explain the response and monitoring plans for the entity's main risks, including tax risks.

The Group monitors its main risk through the functional departments involved (business and corporate) and the various Committees and Boards set up.
Technical Committee, Management Committee and Board of Directors meetings are held on a monthly basis in each of the businesses.
The corporate technical, management control, financial and legal departments provide daily supervision and hold regular meetings for both the Spanish companies and the foreign investees with their corresponding counterparts.
Meetings to review the business activities and potential incidents or risks are held each week and immediate action is taken.

F SYSTEMS OF INTERNAL CONTROL AND RISK MANAGEMENT IN CONNECTION WITH FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk control and management systems as they affect the entity's internal control over financial reporting (ICFR).

F.1 The entity s control environment

Provide information, indicating salient features, on at least:

F.1.1. Bodies and/or functions responsible for: (i) the existence and maintenance of a suitable, effective ICFR; (ii) its implementation; and (iii) its oversight.

The Board of Directors of Cementos Molins S.A. is responsible (pursuant to Article 5.z of its Regulations) for the implementation and monitoring of a suitable, effective system of internal control over financial reporting that ensures the completeness and reliability of financial information.
The Board of Directors delegates oversight of the design and effectiveness of internal control to the Audit Committee.
Article 27 of the Board Regulations specifies that the duties of the Audit Committee in connection with financial reporting are, inter alia:
- To supervise the process of preparing and submitting the required financial information and submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, reviewing the compliance of regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of accounting criteria.
- To understand the processes used to draft the financial statements and obtain reasonable certainty that the information support systems are reliable.
- Regularly reviewing the internal control and risk management systems so that the main risks are sufficiently identified, managed and notified.
- Reviewing, analysing and commenting on the financial statements and other relevant financial information with senior management, and the internal and external auditors, to confirm that said information is reliable, comprehensible, relevant, and that accounting criteria consistent with the previous year-end closing.

Cementos Molins S.A. has an Internal Audit department, reporting to the Audit Committee, whose remit is to ensure that the systems of internal control and financial reporting function correctly, to assess the effectiveness of ICFR and to report regularly on any weaknesses identified in the course of its work and the time frame set for the proposed adaptation or corrective action.
The Audit Committee members are kept apprised of all regulatory changes that may arise in this connection.
The senior executives of Cementos Molins, S.A. are responsible, under the supervision of the Audit Committee, for designing, implementing and ensuring the functioning of an appropriate internal control system, as specified in Cementos Molins' organisational model for the systems of control over financial reporting.
Thus, the duty of internal control over financial reporting is discharged at the level of the General Corporate Management of Cementos Molins, S.A. and thereafter at the functional divisions (Administration, Finance, Tax Services, Human Resources, Legal Services and Information Systems), which are responsible for designing and implementing the internal control systems for these areas. Similarly, the responsibility for designing and implementing internal control systems for the operational and business areas lies with the General Management Departments of the different companies.
Internal control over financial reporting is centralised at corporate management, which ensures that it is maintained and that all the documentation relating to the procedures and controls in place from time to time is updated and also to notify the Group's various companies and organisational areas of the approval of policies and procedures of internal control over financial reporting.

F.1.2. Indicate the following, if in place, particularly in connection with the process of preparing financial reporting:

- The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring procedures are in place to communicate this structure effectively throughout the entity.

The corporate management officers ensure that tasks and responsibilities are adequately distributed and assigned for the process of preparing financial information, establishing and, where appropriate, proposing to the corporate management officers and corporate human resources management the design and structure required to carry them out.

Corporate human resources management, together with the other functional management divisions, is responsible for disseminating and notifying the organisational structure and any possible changes therein, including those relating to the financial reporting process.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

As proposed by the Auditing and Compliance Commission, the Board of Directors, at its meeting of 27 January 2017, approved the new Ethical Code of Cementos Molins Group, whose contents have been announced and made available to all the employees in the Group and which replaces the previous Code of Conduct approved on 28 February 2012.
An Ethics and Compliance Committee, formed by the Deputy Manager of Corporate Legal Services and the Manager of Internal Audit, ensures compliance therewith. The Audit and Compliance Committee is entrusted with its review and periodic update.
As mentioned in the previous version of the Code of Conduct, section 5.9 of the Ethical Code, "Treatment of information and of knowledge", contains an express reference to economic transactions, indicating that they must be reflected clearly and precisely in the related records, as well as all the operations performed and expenses incurred. Similarly, it is stated that the economic and financial information will reflect fairly its economic, financial and equity position, in accordance with generally accepted accounting principles and International Financial Reporting Standards.
Also notable in this connection are Cementos Molins' Internal Rules of Conduct regarding the Securities Market, established in a resolution passed by the Board of Directors on 29 July 2004 and the subsequent reviews adopted by resolution of the Board of Directors on 28 February 2012, 28 April 2017 and 29 September 2017.

- Whistle-blowing channel, for reporting any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and irregular activities within the organisation to the Audit Committee, stating, as applicable, whether such reports are confidential.

Since 23 April 2009, the Cementos Molins Group has a reporting channel available for all employees of the Spanish companies in the Group, whereby they can inform Cementos Molins confidentially of any potentially significant irregularities, particularly those of a financial and accounting nature, of internal control over fraud that, to the best of their knowledge and belief, constitute inappropriate conduct or action.
In addition, at its meeting on 23 February 2012 the Audit Committee established new procedure regulations for this type of reporting. Subsequently, as part of the development of the Cementos Molins Group's Crime Prevention Model, a specific protocol developed in 2016 entered into force on 27 February 2017.
On the basis of this protocol, employees can use the potentially significant irregularities communication procedure by sending a letter addressed to the Ethics and Compliance Committee's online mailbox, in person or by telephone, contacting either of the Group's two compliance officers.
When a potentially significant irregularity is reported, once the incident is accepted and the evidence and investigation stage has been conducted, a proposed resolution is submitted to the Audit and Compliance Committee and, simultaneously, the Corporate General Manager, the CEO of Cementos Molins, S.A., the operations general manager, the general manager of the affected company and the secretary of the Audit and Compliance committee will be informed.

- Training and periodic refresher courses for personnel involved in preparing and reviewing financial information or evaluating the system of ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

Human resources management and administration and finance management check that the updating procedures for the accounting and financial tasks are appropriate when this is called for due to legislative and regulatory changes, including changes in the international accounting standards and suitable schemes for updating training that affect the preparation of the Group's financial statements.
The various functional divisions also receive information on a regular basis from external advisers and the Company's external auditors on regulatory changes or interpretations of standards that may affect the preparation of the Group's financial information, for which fluid communication with the latter is established in order to be informed of and to interpret and adapt to such standards. Internal dissemination within the Group to the areas that might be affected is also ensured.

F.2 Assessment of reporting risks

Provide information on, at least:

F.2.1. The main features of the risk identification process, including risks of error or fraud, as regards:

• Whether the process exists and is documented.

The Cementos Molins Group has an Organisational Model of Internal Control over Financial Reporting and an Internal Control Manual aimed at providing reasonable assurance regarding the fulfillment of the following objectives:
- Reliability of financial reporting.
- Compliance with the applicable legislation and standards.
- Risk assessment and control activities.

Based on the foregoing, Cementos Molins has defined the key processes for the preparation of its financial information and has drawn up the related map, containing:
- Purchases and payables.
- Income and receivables.
- Cash and financial items.
- Investments and non-current assets.
- Human resources.
- Inventories.
- Accounting close and consolidation.
- Taxes.
- Information systems.
- Impairment of assets.

All the related processes are formally documented. The documentation generated in connection with these procedures includes detailed descriptions of transactions performed and those relating to the preparation of financial information from commencement until their recognition in the accounting records.

The basic elements for each process are the activities flowcharts, the associated risks in each case and the control activities that mitigate them. The result is a risk and controls matrix for each process that enables the control objectives of Cementos Molins to be complied with in the case of all relevant identified financial information.

• Whether the process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and how frequently.

With a view to defining the sphere of application of ICFR at Group level, the following factors were borne in mind:
- At Spanish investees that are over 50% controlled the procedures of the key processes in place are defined on the basis of quantitative and qualitative materiality, establishing a risk matrix and the controls associated with each process in order to safeguard the reliability of the resulting financial information.
- In the case of the international companies the necessary control mechanisms to enable the consolidation process to ensure in a reasonable manner the reliability of the information and the processes generating it. Thus, the various companies' internal audit departments review the procedures and processes taking into account the risk criteria. The external auditors also identify and inform Cementos Molins of any control weaknesses observed in the course of their work. On the basis of the conclusions drawn, which are reported to the internal audit department of Cementos Molins, the companies improve the procedures in place. Internal Audit reviews these processes in situ in the context of its annual audit and risk map schedule.

On the basis of the foregoing, the risks and processes to be documented that have a potentially material impact on the financial information have been identified and makes sure that, in Cementos Molins' risk identification process, are covered by the following financial reporting objectives:
- Existence and occurrence: transactions, facts and other events reflected in the financial information exist in reality and were recorded in due time.
- Completeness: the information reflects all the transactions, facts and other events in which the entity is the affected party.
- Valuation: transactions, facts and other events are recognised and measured in accordance with the applicable standards.
- Presentation, disclosure and comparability: transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with the applicable standards.
- Rights and obligations: the financial information reflects, at the corresponding date, the rights and obligations through the related assets and liabilities, in accordance with the applicable standards.

The controls associated with the aforementioned processes are reviewed by the internal audit department at least every four years and, on the basis of the conclusions reached, if necessary, the Company updates the existing procedures in conjunction with the corporate management department.

• Whether a specific process is in place to define the scope of consolidation, taking into account, inter alia, the possible existence of complex corporate structures and special purpose entities or vehicles.

The scope of consolidation of Cementos Molins is defined on a monthly basis by the Shared Services Management, based on the information available in its files and in accordance with international accounting standards and is confirmed on a half-yearly basis by the external auditor. Any significant change in the scope of consolidation is notified to the Audit Committee.

• Whether the process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

In identifying risks, those arising from external factors that can or could have a material effect on the business and the Group's financial reporting are also assessed, namely:
- Safeguarding of assets.
- Possibility of fraud.
- Environmental legislation.
- Specific market situations (legal and regulatory changes).
- Estimates, lawsuits and provisions.

• Indicate the entity's governing body that oversees the process.

The Group's system of internal control over financial reporting is overseen by the Audit Committee and the purpose thereof is to ensure the reliability of significant financial information.

F.3 Control activities

Indicating salient features, disclose whether there are at least:

F.3.1. Procedures for reviewing and authorising financial information and the description of ICFR to be disclosed to the securities markets, indicating the corresponding lines of responsibility, as well as documentation describing the flows of activities and controls (including those addressing the risk of fraud) for the various types of transactions that may materially affect the financial statements, including procedures for the accounting close procedure and for the separate review of critical judgements, estimates, evaluations and projections.

The Cementos Molins Group furnishes the securities market with financial information on a quarterly basis. The information is prepared by administrative management reporting to general corporate management.
In the process of preparing the financial information to be published, administrative management carries out certain control activities to check its reliability. Additionally, the Management Control Department, the Shared Services Management and the Internal Audit Department oversee the information prepared.
The CEO and the General Corporate Management analyse the information to be published, provisionally approving it prior to sending it to the Audit and Compliance Committee, which oversees the financial information submitted. Lastly, the Audit Committee informs the Board of Directors of its conclusions on the information submitted, so that once it has been approved by the Board, it may be published in the securities market. For the half-yearly and annual reporting, the Audit Committee and the Board of Directors also have available the information prepared by the Group's external auditors on the results of their work.
In the case of the information included in the Corporate Governance Annual Report, the same procedure as that described in this section is followed prior to its publication in the securities market.

F.3.2. Internal control policies and procedures for IT systems (including access security, control of changes, system operation, continuity and separation of duties) giving support to key company processes involved in the preparation and publication of financial information.

The Management of Organisation and systems of Cementos Molins, S.A., reporting to the General Corporate Management, is responsible for the information and telecommunication systems belonging to Cementos Molins, S.A. and its Spanish subsidiaries, as well as for the supervision of the organisation and the functioning of the information systems of the international investees. Its functions include defining, implementing and monitoring compliance with the security policies and standards, as well as the business continuity plan of the various applications and infrastructure that support it.
The control model addresses all the applications, infrastructure for support and access, communication systems and the physical locations in all cases, placing particular emphasis on processes that are relevant for business continuity on a normal basis, directly or indirectly related to financial information.
The control model defined at Cementos Molins, S.A. comprises the following processes:
• Physical security of the data processing centres.
• Logical security of applications.

• Project management. Implementation, development and evolutive advances.
• Operations management.
• Service provider management.
• Infrastructure and communications.
• Back-up and recovery systems.
• User management.

These processes are supported by a series of documented automatic and manual steps, standards, procedures and security rules, which define, inter alia, the control activities required to address the risks to which the following spheres of information systems management are exposed.

• Information systems environment:
- Organisational charts and descriptions of the duties of the employees involved in the information systems.
- System Map.
- Telecommunications network map.
• Applications change management:
- Management of requests for new developments, improvements and changes.
- Requests registration, analysis and approvals circuit.
- Development and implementation of new systems.
- Bringing into service of such applications, their validation and completion.
- Documentation and training.
• Operations and use of systems:
- Management of operating activities.
- Management of back-up systems.
- Incidents management.
- Contingency and recovery plans.
- Service provider management.
• User training and information.
- User information systems.
- Ongoing training procedures.
• Physical and logical security:
- Management of security activities.
- Physical security of control rooms.
- Logical security of access to systems.
- Security in data transfers in public networks.

In compliance with the legislation in force, Cementos Molins defined the role of Information Security. This role is responsible for protecting the Group's information systems, in order to achieve and maintain the required security standards. In order to ensure that these standards are defined correctly an internal procedure compliant with the legislative requirements is in place that defines the standards and also the security requirements to be implemented.

The control model envisages various reviews that help to keep the security systems updated at acceptable and functional levels for Cementos Molins, S.A.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities to third parties and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Cementos Molins does not outsource to third parties, either fully or partially, any phase of its process of preparing financial statements.

In the event of hiring outside advisers for accounting, legal, tax or employment-related issues, to handle a specific matter, the results thereof are overseen by the persons in charge of each functional area in order to ratify the reasonableness of the conclusions drawn.

F.4 Reporting and communication

Indicating salient features, disclose whether there are at least:

F.4.1. A specific role in charge of defining and maintaining accounting policies (accounting policies area or department) and resolving doubts or disputes over their interpretation, communicating on a regular basis with the team in charge of operations at the organisation. The role is also responsible for updating the accounting policies manual and disseminating it to the Company's operating units.

Corporate administration management is responsible for applying the Group's accounting policies. This management also encompasses the corporate accounting department, whose remit includes:
- Defining and updating the Group's accounting policies.
- Keeping track of international accounting standards and their effects on the Group's financial statements.
- Analysing whether the accounting treatment of the transactions of the consolidated Group and its individual companies is appropriate.

- Informing and addressing any queries on the application of the accounting standards that could be raised at the Group companies or at the request of functional areas.
In cases where the accounting rules are complex and require a more detailed technical analysis for their interpretation, administrative management contacts the Group's external auditors in order to establish a position thereon.

The Group explains its accounting policies and valuation standards in its financial statements, which conform to the International Financial Reporting Standards (IFRS) in its consolidated financial statements and to the General Accounting Plan approved by Royal Decree 1514/2007 in its individual financial statements.

Additionally, the Group has policies to account for certain elements that, due to their amount or recurrence, are important enough to be addressed in detail. This specific policies do not differ from the aforementioned regulatory framework.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the company or Group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Cementos Molins S.A. has implemented a single computer tool to meet the accounting needs of its Spanish companies and a computer tool for the consolidation process. The information of the Spanish companies is uploaded onto the consolidation tool with standardised criteria and formats that comply with the Molins Group's accounting policies. With respect to the Group's international companies, a single applicable reporting model has been established, standardised in compliance with the Group's accounting policies and included in the consolidation tool, once the integrity of the information has been checked using internal controls.
The computer consolidation tool centralises in a single system the separate financial statements of the subsidiaries making up the Group, as well as the consolidated financial statements and the main disclosures required for the preparation of the consolidated financial statements.

F.5 Oversight of system operation

Provide information, indicating salient features, on at least:

F.5.1. ICFR monitoring activities performed by the Audit Committee, including an indication of whether the entity has an internal audit department whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Also describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate the findings. State also whether the company has an action plan specifying corrective measures and whether it has taken stock of the potential impact on its financial information:

The Internal Audit Department notifies the Audit and Compliance Committee of the correct functioning of ICFR and is responsible for reviewing the controls in place in the processes mentioned in point F.2.1 at least every four years, reporting any potential weaknesses identified and the steps to be taken to mitigate them, and for monitoring the implementation of such steps. In 2017, as part of the regular review of ICFR, the key accounting processes were assessed in order to adapt them to the changes in terms of organisation and functions that took place during the financial year.
In verifying the ICFR and in ensuring the quality of financial reporting the Audit Committee focused its activity on overseeing the preparation of the separate and consolidated financial statements, as well as the accompanying information thereto, the consolidation process and the scope of consolidation and all the periodic information (half-yearly and quarterly) that must be reported to the markets. In its work it is supported by the internal audit department and the Company's external auditors, with whom meetings are held periodically.
Action plans envisaging corrective steps are established, in conjunction with internal audit and corporate management, in the event of detecting any weaknesses in the quality of the information or in the internal systems of control over financial reporting.

F.5.2. Indicate whether there is a discussion procedure whereby the financial auditor (pursuant to TAS), the internal audit department and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other reviews they have been engaged to perform to the Senior Executives and to the Company’s Audit Committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses identified.

The Internal Audit Department reports at least on a half-yearly basis to the Audit and Compliance Committee on any significant weaknesses in internal control that have been identified during the review of the audits performed and the ICFR reviews.
The external audit has access to the executives and the Audit Committee, assisting to, at least, three Audit Committees per year, with the intention to inform about the conclusions of the financial statements review and the internal control weaknesses detected.

F.6 Other relevant information

Not applicable.

F.7 External auditor's report

Indicate:

F.7.1. Whether the ICFR information reported to the markets has been reviewed by the external auditors. If "yes", the related report should be included in the corresponding report as an Appendix. If "no", give reasons.

The external auditors reviewed Cementos Molins S.A.'s ICFR information that was reported to the markets for 2017. The scope of the auditors' review procedures was set in accordance with the Draft Guidance and specimen auditors' report relating to the information on the system of internal control over the financial information of listed entities dated 15 July 2013. The Draft Guidance includes the aspects included in this connection in CNMV Circular 5/2013, which was modified in CNMV Circular 7/2015, from the 22nd of December, which started applying the 31st of December of 2015.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the Unified Good Governance Code.

If a recommendation is not followed or only partially followed, a detailed explanation of the reasons should be provided in such a way that the shareholders, investors and the market in general have sufficient information to evaluate the Company's performance. Explanations of a general nature are not accepted.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Followed [X] Explain [ ]

2. When a parent and a subsidiary are listed companies, both should provide detailed disclosure on:

a) The type of activity they engage in and any business dealings between them, as well as those of the listed subsidiary and other Group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

3. At the Annual General Meeting, in addition to the communication in writing of the Annual Corporate Governance Report, the Chairman of the Board of Directors should orally inform the shareholders, in sufficient detail, of the most important matters in relation to the Company's corporate governance and, in particular, of:

a) Changes since the previous Annual General Meeting.

b) The specific reasons why the Company does not follow certain recommendations of the Corporate Governance Code and the alternative rules applied in this connection, should any exist.

Followed [X] Partially followed [ ] Explain [ ]

4. The Company should define and promote a policy of communication and contact with shareholders, institutional investors and voting advisers that fully complies with regulations against market abuse and treats shareholders in the same position in a similar manner.

The Company should publish this policy on its website, including information on how it has been implemented, identifying the liaison personnel or staff in charge of implementing it.

Followed [X] Partially followed [ ] Explain [ ]

5. The Board of Directors shall not put forward to the Annual General Meeting a proposal to delegate powers in order to issue shares or convertible securities with disapplication of pre-emption rights for an amount exceeding 20% of share capital upon delegation.

When the Board of Directors approves any share or convertible security issue with disapplication of pre-emption rights, the Company should immediately publish on its website the reports on such disapplication referred to in corporate legislation.

Followed [X] Partially followed [ ] Explain [ ]

6. The listed companies that prepare the reports indicated below, whether obligatorily or voluntarily, should publish them on their respective websites sufficiently in advance of the Annual General Meeting, whether or not they are required to disseminate them:

a) Report on auditor independence.

b) Reports on the functioning of the Audit Committee and the Remuneration and Nomination Committee.

c) Audit Committee report on related party transactions.

d) Report on the corporate social responsibility policy.

Followed [X] Partially followed [ ] Explain [ ]

7. The Company shall stream a live broadcast of the Annual General Meetings on its website.

Followed [ ] Explain [X]

With an average attendance of 90.88% of the share capital at the Annual Meetings held over the last five years, the Company considered that the live transmission of this event was not necessary.

However, this measure will be proposed in the near future in order to adjust to the recommendations of the Corporate Governance Code.

8. The Audit Committee should ensure that the Board of Directors seeks to present the financial statements to the Annual General Meeting without limitations or qualifications for any matters in the auditors' report. Should such qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to the shareholders of the related matters and scope limitations or qualifications.

Followed [X] Partially followed [ ] Explain [ ]

9. The Company should have a permanent public record on its website of the requirements and procedures that it will accept in order to evidence the ownership of shares, the right to attend the Annual General Meeting and the execution or delegation of the right to vote.

   Such requirements and procedures shall favour the attendance and the exercise of the rights of the shareholders and should be applied in a non-discriminatory manner.

Followed [X] Partially followed [ ] Explain [ ]

10. When any legitimate shareholder has exercised, prior to the Annual General Meeting, the right to complete the agenda or present new proposals, the Company should:

    a) Immediately make such supplementary points and new resolution proposals public.

    b) Make public the attendance card model or vote delegation/proxy vote form with the modifications necessary so that the new points of the agenda, as well as alternative resolution proposals, can be voted on under the same terms as those proposed by the Board of Directors.

    c) Submit all those points or alternative proposals to vote and apply the same voting rules to them as are applied to the points and proposals prepared by the Board of Directors, including, specifically, the assumptions or deductions on which way to vote.

    d) After the Annual General Meeting, communicate the breakdown of the vote on those supplementary points or alternative proposals.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

11. If the Company plans to pay attendance bonuses to the Annual General Meeting, it should establish beforehand a general policy on such bonuses, and the policy should be stable.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.

    In pursuit of corporate interest, in addition to respect for laws and rules and behaviour based on good faith, ethics and respect for customs and generally accepted good practice, the Company should attempt to reconcile, where applicable, corporate interest with the legitimate interests of its employees, suppliers, customers and those of the other stakeholders that may be affected, as well as with the impact of the Company's activities on the community as a whole and on the environment.

Followed [X] Partially followed [ ] Explain [ ]

13. In the interest of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

Followed [X] Explain [ ]

14. That the Board of Directors should approve a director selection policy that:

a) Is specific and verifiable.

b) Ensures that appointment or reelection proposals are based on a prior analysis of the need of the Board of Directors.

c) Favours diversity of knowledge, experience and gender.

The findings of the preliminary analysis of the needs of the Board of Directors should be included in the Nomination Committee's supporting report, which should be published when the Annual General Meeting is called and to which the ratification, appointment or re-election of each director will be submitted.

The director selection policy should encourage the achievement of the target of at least 30% of the total members of the Board of Directors being female in 2020.

Each year the Nomination Committee will verify compliance with the director selection policy and this will be reported on in the Annual Corporate Governance Report.

Followed [X] Partially followed [ ] Explain [ ]

15. Non-executive, proprietary and independent directors should occupy an ample majority of Board places, while the number of executive directors should be the minimum number required, bearing in mind the complexity of the corporate group and the ownership interests held by the executive directors.

Followed [X] Partially followed [ ] Explain [ ]

16. Among non-executive directors, the relation between proprietary and independent members should match the proportion of the capital represented on the Board by proprietary directors to the remainder of the company's capital.

The proportion of proprietary directors as a percentage of the total non-executive directors should not exceed the proportion of the Company's capital they represent.

a) At large cap companies where few equity stakes attain the legal threshold for significant shareholdings.

b) At companies with multiple shareholders represented on the Board of Directors but not otherwise related.

Followed [X] Explain [ ]

17. The number of independent directors should represent at least one third of all Board members.

However, if the company is not a large cap company or, even if it is but has one shareholder or various shareholders acting collectively controlling more than 30% of the share capital, the number of independent directors should represent at least a third of the total number of directors.

Followed [ ] Explain [X]

Currently, there is no group within the company's shareholder structure other than that which currently holds a large majority with sufficient capability to appoint directors. Therefore, eight of the directors are proprietary directors, one director is an executive director, another director is an external director and the Company has three independent directors, representing 23.08% of the total directors.

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional and personal profile.

b) Other boards to which they belong, whether or not of listed companies, as well as the other paid activities carried out by the directors, regardless of their nature.

c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.

d) Date of their first and subsequent appointments as a company director.

e) Shares in the company, and options on them, held by the directors.

Followed [X] Partially followed [ ] Explain [ ]

19. After verification by the Nomination Committee, the Annual Corporate Governance Report should also disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% of capital and explain any rejection of a formal request for a Board place from shareholders whose ownership interest is equal to or greater than that of others applying successfully for a proprietary directorship.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board, based on a proposal from the Nomination Committee. In particular, just cause shall exist if the director takes on new roles or enters into new obligations that prevents them from dedicating the time necessary for carrying out the duties inherent in that of a director, fails to perform said duties or commits any act that renders them not independent, in accordance with that provided in the applicable legislation.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 16.

Followed [X] Explain [ ]

22. Companies should establish rules obliging directors to inform the Board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

In this connection if a director is sued or tried for any of the offences set out in Article 213 of the Spanish Limited Liability Companies Law, the Board will examine the case forthwith and, in view of the specific circumstances, decide whether or not the director should continue in his position. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

Followed [X] Partially followed [ ] Explain [ ]

23. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

    When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he/she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

    The terms of this Recommendation should also apply to the Secretary of the Board, director or otherwise.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

25. The Nomination Committee should ensure that the non-executive directors have enough time available to correctly discharge their functions.

    The Board Regulations should establish the maximum number of company directorships the Board members can hold.

Followed [X] Partially followed [ ] Explain [ ]

26. The Board of Directors should meet with the necessary frequency to properly perform its functions (at least eight times a year), in accordance with a calendar and agenda set at the beginning of the year, to which each director may individually propose the addition of other items.

Followed [X] Partially followed [ ] Explain [ ]

27. Directors' absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

Followed [X] Partially followed [ ] Explain [ ]

28. When directors or the Secretary express concerns about any proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minutes.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

29. The Company should establish the appropriate channels in order for the directors to be able to obtain the

advisory services required for the fulfilment of their functions, including, as the circumstances may require, external advisory services charged to the Company.

Followed [X] Partially followed [ ] Explain [ ]

30. The companies should also offer the directors refresher programmes when the circumstances so advise, regardless of the knowledge required of the directors to discharge their functions.

Followed [X] Explain [ ] Not applicable [ ]

31. The agenda of the meetings should clearly indicate the items on which the Board of Directors must adopt a decision or resolution so that the directors can study or find the information required to adopt them in advance.

Exceptionally, in urgent cases when the chairman wishes to submit decisions or resolutions that do not appear in the agenda for approval to the Board of Directors, the prior and express consent of the majority of the directors present shall be required, and this shall be duly recorded in the minutes.

Followed [X] Partially followed [ ] Explain [ ]

32. The directors should be regularly informed of any changes in ownership interests and of the opinion of significant shareholders, investors and rating agencies as regards the Company and its Group.

Followed [X] Partially followed [ ] Explain [ ]

33. In addition to performing his or her functions as stipulated in the law and the bylaws, the chairman, as the person responsible for the proper functioning of the Board of Directors, should prepare and submit to the Board of Directors a programme of dates and business to be transacted; should organise and coordinate regular evaluations of the Board and, as appropriate, the evaluation of the chief executive of the Company; should be responsible for managing the Board and its effective operation; should ensure sufficient time is devoted to discussing strategic matters; and should agree and review the refresher programmes for each director when the circumstances so advise.

Followed [X] Partially followed [ ] Explain [ ]

34. When there is a coordinating counselor, statutes or regulations of the board of directors, in addition to the powers legally entitled, attributed the following: chairing the board in the absence of the president and vice presidents, if any; echoing the concerns of non-executive directors; maintain contacts with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of society; and coordinate the plan of succession of the president.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

35. The Secretary of the Board of Directors should take special care to ensure the Board's actions and decisions take into account the good governance recommendations included in this Good Governance Code that might be applicable to the Company.

Followed [X] Explain [ ]

36. The board of directors in plenary session should evaluate once a year and adopt, if necessary, an action plan to correct the deficiencies identified with respect to:

a) The quality and efficiency of the board of directors.

b) The operation and the composition of its committees.

c) Diversity in the composition and responsibilities of the Board of Directors.

d) The performance of the chairman of the Board of Directors and the chief executive of the Company.

e) The role and contribution of each director, paying special attention to the persons in charge of the various committees of the Board.

The evaluation of the various committees is based on the reports they submit to the Board of Directors, and the evaluation of the Board is based on the report submitted to them by the Nomination Committee.

Every three years, the Board of Directors shall be assisted in the evaluation by an external consultant, the independence of which shall be verified by the Nomination Committee.

The business relationships of the consultant or any company in its group with the Company or any company of its Group must be disclosed in the Annual Corporate Governance Report.

The process and the areas evaluated shall be disclosed in the annual corporate governance report.

Followed [X] Partially followed [ ] Explain [ ]

37. When the company has an Executive or Delegated Committee (Executive Committee), the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Executive Committee.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

38. The Board should be kept fully informed of the business transacted and resolutions adopted by the Executive Committee. To this end, all Board members should receive a copy of the Committee's minutes.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

39. Members of the audit committee, and particularly its chairman, should be appointed taking into account their knowledge and experience in accounting, auditing and risk management, and that most of these members are independent directors.

Followed [X] Partially followed [ ] Explain [ ]

40. Under the supervision of the Audit Committee, there should be a unit responsible for the internal audit function which ensures the systems of internal control and financial reporting function correctly, and which report to the non-executive chairman of the Board or the chairman of the Audit Committee.

Followed [X] Partially followed [ ] Explain [ ]

41. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

42. That in addition to those provided for in the law, they correspond to the audit the following functions:

1. In relation to information systems and internal control:

   a) To supervise the process of preparing the financial information relating to the company, and when applicable, to the group, and its integrity, reviewing the compliance of normative requirements, the proper delimitation of the consolidation perimeter and the correct application of accounting criteria.

   b) To ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; guidance and approve their work plans, ensuring that their activity is mainly focused on relevant risks of the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

   c) Establish and supervise a mechanism allowing employees to report confidentially and, if possible and appropriate, anonymously, any irregularities of potential importance, especially financial and accounting irregularities within the company.

2. In relation to the external auditor:

   a) The Committee should investigate the issues giving rise to the resignation of any external auditors.

   b) Ensure that the remuneration of the external auditor for its work does not compromise its quality or their independence.

   c) Supervise that the company notifies any change of auditors to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditors and the reasons therefor.

   d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session to inform it of the work performed and the changes in the accounting situation and risks of the company.

   e) Ensure the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence.

Followed [X] Partially followed [ ] Explain [ ]

43. The Audit Committee may meet with any Company employee or manager, even ordering their appearance without the presence of any senior manager.

Followed [X] Partially followed [ ] Explain [ ]

44. The Audit Commission should be informed about the structural and corporate modifications that the Company intends to undertake in order to analyse them and make a report prior to the Board of Directors' meeting on the economic conditions and its accounting impact and, especially, if applicable, on the proposed exchange rate.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

45. The control and risk management policy should specify at least:

a) The different types of risks, both financial and non-financial (operational, technological, legal, social, environmental, political, reputational, etc.) faced by the Company, including amongst the financial or economic risks, the contingent liabilities and other risks not included in the Balance Sheet.

b) Setting the company's acceptable risk level.

c) The measures provided to mitigate the impact of the identified risks should these materialise.

d) The internal control and information systems that will be used to control and manage the aforementioned risks, including the contingent liabilities and other risks not included on the Balance Sheet.

Followed [X] Partially followed [ ] Explain [ ]

46. An internal control and management function should exist under the direct supervision of the Audit Committee, or as appropriate, of a specialist committee of the Board of Directors, for the management of risks, performed by a unit or internal department of the Company, which would have the following functions allocated to it:

a) Ensure the correct operation of the risk management and control systems and, in particular, ensure that said systems identify, manage and quantify all significant risks that may affect the company.

b) Actively participate in drafting the risk strategy and in the decisions significant to their management.

c) Ensure that the risk management and control systems adequately mitigate the risks within the framework of the policy established by the Board of Directors.

Followed [X] Partially followed [ ] Explain [ ]

47. The members of the Nomination and Remuneration Committee -or of the Nomination Committee and the Remuneration Committee, if they are separate- should be appointed with regard to their having the knowledge, skills and experience appropriate to the functions they would have to perform, and the majority of the members should be independent directors.

Followed [ ] Partially followed [X] Explain [ ]

Currently, two out of three independent directors are part of the Nomination and Remuneration Committee, representing 33.33 of the total members of this Committee.

48. Companies with a high capitalisation have a nominating committee and a separate remuneration committee.

Followed [ ] Explain [ ] Not applicable [X]

49. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any Board member may suggest directorship candidates to the Nomination Committee for its consideration.

Followed [X] Partially followed [ ] Explain [ ]

50. That the remuneration committee exercises its functions independently and also functions assigned to it by law, we apply the following:

a) Propose to the board of directors the basic conditions of the contracts of senior managers.

b) Check compliance with the remuneration policy set by the company.

c) Review the remuneration policy applied to directors and senior executives on a regular basis, including the remuneration systems with shares and their application, and ensure their individual remuneration is proportionate to what is paid to the other directors and senior executives of the Company.

d) To ensure that potential conflicts of interest does not prejudice the independence of external advice given to the Commission.

e) Verify the information on remuneration of the directors and senior executives contained in the various corporate documents, including the annual report on the remuneration of the directors.

Followed [X] Partially followed [ ] Explain [ ]

51. The Remuneration Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors and senior executives.

Followed ☒ Partially followed ☐ Explain ☐

52. That the composition and operation rules of the supervision and control committees appear in the regulation of the Board of Directors and which are consistent with those applicable to legally binding commitments in agreement to the above recommendations, including:

a) These should be formed exclusively of non-executive directors, with a majority of independent directors.

b) Committees should be chaired by an independent director.

c) The Board of Directors should appoint the members of such Committees having regard to the knowledge, aptitudes and experience of its directors and remit of each Committee and shall discuss their proposals and reports. The Committees should report the business transacted and account for the work performed at the first plenary session of the Board following each Committee meeting.

d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.

e) Meetings should be recorded in minutes and a copy sent to all Board members.

Followed ☐ Partially followed ☐ Explain ☐ Not applicable ☒

53. The supervision of fulfilment of the corporate governance rules, the internal codes of conduct and the corporate social responsibility policy should be entrusted to one or shared between several committees of the Board of Directors, which could include the Audit Committee, the Nomination Committee, the Corporate Social Responsibility Committee, if it exists, or a specialist committee the Board of Directors might decide to create through the exercise of its self-governing powers, to which the following minimum functions would be specifically assigned:

a) The supervision of fulfilment of the Company's internal codes of conduct and corporate governance rules.

b) Supervising the communication and shareholder and investor communications strategy, including small and medium shareholders.

c) The regular evaluation of the suitability of the Company's corporate governance system, in order to ensure it fulfils its mission to promote the corporate interest, and takes into account, as applicable, the legitimate interests of the other stakeholders.

d) The review of the Company's corporate responsibility policy to ensure it is centred on value creation.

e) The monitoring of the corporate social responsibility strategy and practices, and the evaluation of their degree of fulfilment.

f) The supervision and evaluation of the processes in relation to the various stakeholders.

g) The evaluation of all the Company's non-financial risks -including operational, technological, legal, corporate, environmental, political and reputational risk.

h) The coordination of the process of reporting non-financial and diversity information in accordance with the applicable legislation and the international standards of reference.

Followed ☒ Partially followed ☐ Explain ☐

54. The corporate social responsibility policy should include the principles or commitments taken on by the company on a voluntary basis in its relationship with the various stakeholders and should identify at least the following:

a) The objectives of the corporate social responsibility policy and the development of support mechanisms.

b) The corporate strategy in relation to sustainability, the environment and social matters.

c) Specific practices in matters related to: shareholders, employees, customers, suppliers, corporate matters, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.

d) The methods or systems for monitoring the results of the application of the specific practices mentioned in the previous letter, the associated risks and the management thereof.

e) The mechanisms for the supervision of non-financial risk, ethics and business conduct.

f) The communication, participation and dialogue channels with stakeholders.

g) Responsible communication practices that prevent the manipulation of information and protect integrity and reputations.

Followed	X	Partially followed	☐	Explain	☐

55. The Company should disclose information on matters related to corporate social responsibility using an internationally accepted methodology in a separate document or in the directors' report.

Followed	X	Partially followed	☐	Explain	☐

56. The remuneration of directors must be the sufficient amount to attract and retain directors with the desired background and to remunerate the dedication, qualification and responsibility demanded by the post; but not as to high to compromise the independence of criteria of non-executive directors.

Followed	X	Explain	☐

57. Variable remuneration relating on Company and individual performance should be limited to executive directors, in addition to remuneration via the delivery of shares, options or rights to shares or other share-based instruments and long-term savings plans such as pension or other social benefit schemes.

The delivery of shares may be considered as remuneration for non-executive directors with the proviso that they are kept until the end of their time holding this position. The foregoing shall not apply to shares the directors need to dispose of, as the case may be, to satisfy the costs of their purchase.

Followed	X	Partially followed	☐	Explain	☐

58. In the case of variable remuneration, the remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, atypical or exceptional transactions or circumstances of this kind.

And, in particular, the variable components of the remuneration:

a) Should be linked to performance criteria that are predetermined and measurable, and these criteria should take into account the risk assumed to achieve a profit.

b) Should promote the sustainability of the Company and include non-financial criteria that are suited to the creation of value in the long term, such as compliance with the internal rules and procedures of the Company and with its risk control and management policies.

c) Be based on a balance between the fulfillment of short-, medium-, and long-term objectives that allow the remuneration for continuous performance during a sufficient period to appreciate their contribution to the creation of sustainable value, so that the measures of said performance are not based solely on specific, occasional or special events.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

59. The payment of a significant part of the variable remuneration components should be postponed for a minimum period that is sufficient to verify that the previously established performance conditions have been met.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

60. Remuneration related to the company's profits should take into account the possible qualifications that appear in the external audit report that may reduce said profits.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

61. A significant portion of the variable remuneration of the executive directors should be linked to the delivery of shares or financial instruments referenced to their value.

Followed [ ] Partially followed [ ] Explain [X] Not applicable [ ]

The delivery of shares or financial instruments referenced to their value is not envisaged in the remuneration systems for executive directors. In fact, the Company considers that, even not having a remuneration system based on the delivery of shares, the short-, medium- and long-term variable remuneration established for the Chief Executive Officer is linked to predetermined and measurable performance criteria that allow for certain remuneration for a continuous performance over a sufficient period of time in order to reward their contribution to the creation of sustainable value.

62. Once the shares, share options or rights over shares relating to remuneration systems have been allocated, the directors should not be able to transfer the ownership of a number of shares equal to twice their fixed annual remuneration, and neither should they be able to exercise the options or rights until a term of at least three years from allocation has elapsed.

The foregoing shall not apply to shares the directors need to dispose of, as the case may be, to satisfy the costs of their purchase.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

63. The contractual agreements should include a clause that allows the company to reclaim the payment of the variable remuneration components when the payment has not been adjusted to the performance conditions or when it has been paid in accordance with data, the inaccuracy of which is subsequently proven.

Followed [ ] Partially followed [X] Explain [ ] Not applicable [ ]

Although contractual arrangements do not include a specific clause stipulating the ability to claim the refund of variable remuneration based on the achievement of previously established objectives —where remuneration has been paid on the basis of data subsequently shown to be erroneous—, the Variable Remuneration Regulations include a clause according to which, in the very unlikely event of a subsequent amendment to the financial statements resulting in a change of the data used to fix the variable remuneration, the Remuneration and Appointments Commission may propose to the Board of Directors that the sum perceived by each beneficiary be reimbursed and adjusted with the final data established in the financial statements.

64. The payments for termination of the contract should not be above the amount of two years of the total annual salary and should not be paid until the Company has been able to verify that the Director has fulfilled all of the previously established performance criteria.

Followed ☐ Partially followed ☐ Explain ☒ Not applicable ☐

The contract for services between the Company and the Chief Executive Officer establishes that he or she has the right to be paid benefits by the Company in the event of the termination and extinguishment of the contract for services for any of the following reasons:

1.- Unilateral termination by the Chief Executive Officer due to serious breach by the Company of its obligations under the contract for services.

2.- Unjustified, unilateral termination of the Contract for Services by the Company, regardless of whether such termination is accompanied by the resignation or non-renewal of the CEO's position as member of the Company's Board of Directors.

3.- Unilateral termination by the Chief Executive Officer, together with simultaneous resignation from his or her post of director, in the event of a change in the control structure of the Company as provided for in Article 42 of the Spanish Commercial Code by reference to Article 4 of the Securities Market Law, even when it is as a result of a takeover bid for the shares of the Company, or of the assignment or transfer of all or a significant portion of its activities or its assets and liabilities to a third party, or of its inclusion in another business group that acquires control over the Company, which gives rise to the renewal of its governance bodies or a substantial change to its business strategy, in accordance with its business plan in each case.

Except for the circumstances set out in Point 3 above, the Chief Executive Officer shall have be entitled to a compensation equal to: (i) one hundred and fifty (150) per cent of their monetary remuneration, including the variable remuneration component foreseen in section 3.3.1 of the Contract of Services, calculated on the remuneration for the year prior to the one in which the contract termination occurs if this termination in line with section 8.1 above occurs before 30 June 2017; (ii) seventy-five (75) per cent if this termination occurs after 30 June 2017 and before 30 June 2020; (iii) fifty (50) per cent if the Contract of Services terminates after 30 June 2020 and 30 June 2021; (iv) forty-two (42) per cent if the Contract of Services terminates after 30 June 2021 and before 30 June 2022; (v) thirty-four (34) per cent if the Contract of Services terminates after 30 June 2022 and before 30 June 2023; (vi) twenty-six (26) per cent if the Contract of Services terminates after 30 June 2023 and before 30 June 2024; and (vii) eighteen (18) per cent if the Contract of Services terminates after 30 June 2024 and before 30 June 2025. If the termination occurs after 30 June 2025, the Chief Executive Officer shall be entitled to no compensation.

In the event of the termination of the contract for services as a result of the scenario envisaged in Point 3 above, the Chief Executive Officer shall have be entitled to benefits equal to three (3) years' monetary remuneration including the variable remuneration component foreseen in section 3.3.1 of the contract of services, calculated on the remuneration for the year prior to the one in which the contract termination occurs.

In the event that the termination of the Contract of Services occurs due to the voluntary resignation of the Chief Executive Officer for reasons other than those set out in the paragraphs 1, 2 and 3 listed above, the Company will provide them with an additional supplementary benefit equivalent to sixteen and a half (16.5%) per cent of the annual Basic Remuneration perceived by the Chief Executive Officer, calculated for these purposes on the basis of the time between the entry into force of the Contract of Services and the official date of termination of their contractual relationship with the Company.

H OTHER INFORMATION OF INTEREST

1. If there is any salient feature of corporate governance at the entity or the group entities that has not been dealt with in the other sections herein, and which it is necessary to include in order to provide the most complete and reasoned information on corporate governance structure and practices at the entity or its group, provide a brief description.

2. This section can include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

   In particular, indicate whether the company is subject to any legislation other than the Spanish legislation on corporate governance, and if so, include the information that it is required to provide, where such information differs from that required in this report.

3. The Company may also indicate whether it has voluntarily adhered to any other codes of ethical principles or good practice of an international, industry-specific or other nature. If so, state the code in question and the date of adherence thereto.

Section C.1.3 indicates that the external proprietary director Mr Joaquín M Molins López-Rodó was appointed at the proposal of the significant shareholder Otinix S.L., when he was actually jointly proposed for appointment by the significant shareholders Otinix, S.L., Cartera de Inversiones C.M., S.A. and Noumea, S.A. It is also indicated that Otinix S.L., has been appointed at the proposal of the significant shareholder Otinix S.L., when it was actually jointly proposed for appointment by the significant shareholders Otinix S.L., Cartera de Inversiones C.M., S.A. and Noumea S.A.

In addition, it is indicated that the non-executive proprietary directors Francisco Javier Fernández Bescós and Cartera de Inversiones C.M., S.A. were appointed at the proposal of the significant shareholder Cartera de Inversiones C.M., S.A. when they were actually jointly proposed for appointment by a concerted action among the significant shareholders Otinix, S.L., Cartera de Inversiones C.M., S.A. and Noumea, S.A.

Finally, it is stated that the external proprietary directors, Juan Molins Amat and Noumea S.A., were appointed at the proposal of the significant shareholder Noumea S.A., when they were actually jointly proposed for appointment by the significant shareholders Otinix S.L., Cartera de Inversiones C.M., S.A. and Noumea S.A.

This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on 27/02/2018.

Indicate whether any directors voted against or abstained in relation to the approval of this Report.

Yes ☐ No ☒

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

AUDITOR'S REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF CEMENTOS MOLINS FOR 2017

To the Directors of
Cementos Molins, S.A.,

As requested by the Board of Directors of Cementos Molins, S.A. and Subsidiaries ("the Cementos Molins Group") and in accordance with our proposal-letter dated 30 October 2017, we have applied certain procedures to the information relating to the ICFR system included in section F of the accompanying Annual Corporate Governance Report ("ACGR") of the Cementos Molins Group for 2017, which summarises the internal control procedures of the Cementos Molins Group in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system included in section F of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard that, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Cementos Molins Group in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Cementos Molins Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Cementos Molins Group's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Cementos Molins Group's annual financial reporting for 2017 described in the information relating to the ICFR system included in section F of the accompanying ACGR. Therefore, had we applied procedures additional to those described below or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Cementos Molins Group in relation to the ICFR system -disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model ACGR established in CNMV Circular no. 7/2015, of 22 December.

2. Inquiries of personnel responsible for preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process followed in preparing it; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Cementos Molins Group.

3. Review of the explanatory documents supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for preparing the information describing the ICFR system. In this regard, the aforementioned documentation includes reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.

4. Comparison of the information detailed in point 1 above with the knowledge on the Cementos Molins Group's ICFR system obtained through the procedures applied during the financial statement audit work.

5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Control Committee and other committees of the Cementos Molins Group to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.

6. Obtainment of the representation letter concerning the work performed, duly signed by those responsible for preparing the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and of CNMV Circular no. 7/2015 of 22 December for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Albert Riba Barea

27 February 2018

Cementos Molins, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2017 and Consolidated Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Cementos Molins, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cementos Molins, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2017, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment associated with certain cash-generating units

Description	Procedures applied in the audit
As described in Note 3-i to the accompanying consolidated financial statements, the Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired, and, if any such indication exists, it assesses the related potential impairment loss. In this context, the cash-generating unit in Tunisia, where the Group carries on its activity through Sotacib, S.A. and Sotacib Kairouan, S.A., incurred losses this year and in previous years, which is an indication that the associated property, plant and equipment, the carrying amount of which at 31 December 2017 totalled EUR 130 million (see Note 9), may potentially be impaired.	Our audit procedures included, among others, the obtainment of the analysis performed by management and the performance of tests on the clerical accuracy and the logic of the impairment test, in order to assess whether it had been prepared in accordance with the content of the regulatory financial reporting framework applicable to the Group. In this connection, our review of the impairment test included, among other matters, the identification of key assumptions in the aforementioned test and the assessment of the reasonableness thereof, including cross-checking them against available external evidence. These key assumptions include the discount rate used, which our internal experts assessed based on general market indicators, as well as production and sales volumes, selling prices and production costs.

Impairment of property, plant and equipment associated with certain cash-generating units

Description

We identified this matter as key in our audit based on both the magnitude of the amounts affected and the high degree of judgement and estimates required of management when assessing the potential impairment of the assets associated with the aforementioned cash-generating unit.

Procedures applied in the audit

We also retrospectively reviewed the predictions made in prior years in order to identify bias in management's assumptions, and assessed the companies' historical achievement of budgets in order to assess the reliability of the estimates made by management. Lastly, we performed a sensitivity analysis on the key hypotheses and assumptions identified and also assessed whether Note 9 to the accompanying consolidated financial statements includes all the relevant disclosures required in accordance with the applicable regulatory financial reporting framework.

Impairment of goodwill

Description

The accompanying consolidated balance sheet presents goodwill amounting to EUR 22 million relating to investments associated with the cement cash-generating unit (CGU) in Spain.

Each year the Group must assess whether there is any indication that this asset might have become impaired, and, if any such indication exists, test the goodwill for impairment.

Management's assessment of the possible impairment is a key matter in our audit since the assessment is a complex process that requires a significant level of estimates, judgements and assumptions to be made, mainly in relation to production and sales volumes, selling prices and production costs and discount rates.

Procedures applied in the audit

Our audit procedures included, among others, involving internal valuation experts to help us in the process to assess the assumptions and methodologies used by the Group and, in particular, those related to the discount rates used. We also analysed the reasonableness of the operating assumptions projected, as well as whether the assumptions included in the impairment test for the previous year are consistent with the actual data relating to the CGU's business.

Furthermore, we reviewed the disclosures made by the Group relating to the sensitivity analyses of the key assumptions.

Note 7 to the accompanying consolidated financial statements contains the disclosures relating to the impairment tests performed on those assets and, in particular, the detail of the main assumptions used, the consistency of the assumptions from prior years with actual figures and a sensitivity analysis of changes in the key assumptions in the tests performed.

Ability to recover deferred tax assets

Description

The consolidated balance sheet as at 31 December 2017 includes a balance of EUR 25 million of deferred tax assets recognised, of which EUR 15 million relate to tax losses. Of the latter amount, EUR 11 million relate to tax loss carryforwards of the Spanish consolidated tax group headed by the Parent and EUR 4 million relate to tax loss carryforwards of the Tunisian companies Sotacib, S.A. and Sotacib Kairouan, S.A.

At the end of the year Group management prepares financial models to assess the ability to recover the tax losses recognised, taking into consideration new legislative developments and the most recently approved business plans.

We identified this matter as key in our audit, since the preparation of these models requires a significant level of judgement, largely in connection with the projections of business performance, which affect the estimate made of the recoverability of the tax assets.

Procedures applied in the audit

Our audit procedures included, among others, the review of the aforementioned financial models, including the analysis of the consistency of the actual results obtained by the various companies compared with the results projected in the previous year's models, the obtainment of evidence of the approval of the budgeted results included in the current year's models and the tax legislation applicable where the deferred tax assets are recognised, as well as the reasonableness of the projections for future years and the consistency of the projections used with those used in other areas of estimation such as those used in the impairment test performed on assets.

We also involved our internal experts from the tax area in the analysis of the reasonableness of the tax assumptions considered on the basis of the applicable legislation.

Lastly, we assessed whether Note 23 to the accompanying consolidated financial statements contains the disclosures required in this connection by the regulatory financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2017, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of review:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the specific information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Compliance Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Parent's audit and compliance committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description in Appendix I forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 27 February 2018.

Engagement Period

The Annual General Meeting held on 3 June 2016 appointed us as auditors for a period of one year from the year ended 31 December 2016, i.e. 2017.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 December 1990, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

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

Albert Riba Barea
Registered in ROAC under no. 21437

27 February 2018

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Parent's audit and compliance committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and compliance committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

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

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CEMENTOS MOLINS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017

(Thousands of euros)

ASSETS	Notes	31/12/2017	31/12/2016
Intangible assets	8	27,957	29,522
Property, plant and equipment	9	439,817	501,526
Investment property	11	3,491	3,539
Non-current financial assets	12.a	5,254	1,548
Companies accounted for using the equity method	10	351,650	362,024
Goodwill on consolidation	7	22,826	23,144
Deferred tax assets	23	24,642	30,000
NON-CURRENT ASSETS		**875,637**	**951,303**
Inventories	14	78,866	84,907
Trade debtors and other receivables	15	144,957	113,991
Current financial assets	12.b	800	82,543
Cash and cash equivalents	12.c	170,790	78,455
CURRENT ASSETS		**395,413**	**359,896**
TOTAL ASSETS		**1,271,050**	**1,311,199**

NET EQUITY AND LIABILITIES	Notes	31/12/2017	31/12/2016
Capital		19,835	19,835
Reserves of the Parent Company		166,843	163,213
Consolidated reserves		623,060	578,576
Net result attributed to the Parent Company		89,078	63,869
Interim dividend		(15,868)	(14,545)
Own funds		**882,948**	**810,948**
Adjustments due to value changes		**(247,247)**	**(181,517)**
NET EQUITY ATTRIBUTED TO THE PARENT COMPANY	16	**635,701**	**629,431**
NET EQUITY FROM MINORITY SHAREHOLDERS	17	**90,467**	**95,819**
TOTAL NET EQUITY		**726,168**	**725,250**
Income to distribute amongst several financial years		9,805	13,050
Non-current financial debt	21.a	278,273	339,912
Deferred tax liabilities	23	13,005	18,317
Provisions	19	16,479	16,321
Other non-current liabilities		343	380
NON-CURRENT LIABILITIES		**317,905**	**387,980**
Current financial debt	21.b	73,860	58,379
Commercial creditors		94,383	91,718
Tax receivables and payables	23	38,486	18,583
Other current liabilities		20,248	29,289
CURRENT LIABILITIES		**226,977**	**197,969**
TOTAL NET EQUITY AND LIABILITIES		**1,271,050**	**1,311,199**

Notes 1 to 35 and Annexes I and II described in the consolidated Report are part of the consolidated balance sheet as of 31 December 2017.

CEMENTOS MOLINS, S.A. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR FINANCIAL YEAR ENDED ON 31 DECEMBER 2017

(Thousands of euros)

	Notes	Financial year 2017	Financial year 2016
Net turnover	6 and 25.a	645,620	561,204
Other income		12,344	9,962
		657,964	**571,166**
Procurements	25.b	(216,080)	(186,817)
Staffing costs		(119,963)	(111,400)
Variations in operating provisions		(1,561)	(2,852)
Other operating expenses	25.d	(209,687)	(184,087)
Work on the company's fixed assets		125	256
		(547,166)	**(484,900)**
Amortisations		(34,323)	(40,116)
Impairment and gains or losses on disposals of assets	26	(2,742)	(2,414)
Other results		(426)	(547)
Operating result		**73,307**	**43,189**
Financial loss	27	(5,778)	(5,979)
Profit sharing in consolidated companies via equity method	10	78,649	77,633
Results before tax		**146,178**	**114,843**
Income tax	23	(32,747)	(34,182)
Net consolidated result		**113,431**	**80,661**
Net result for minority shareholders	17	24,353	16,792
Net result for the period attributed to the parent company		**89,078**	**63,869**
Profit per share in euros	28	1.35	0.97

Notes 1 to 35 and Annexes I and II described in the consolidated Report are part of the consolidated profit and loss account of the financial year ended on 31 December 2017.

CEMENTOS MOLINS, S.A. AND SUBSIDIARIES

STATEMENT OF THE CONSOLIDATED GLOBAL RESULTS FOR FINANCIAL YEAR ENDED ON 31 DECEMBER 2017

(Thousands of euros)

	31/12/2017			31/12/2016		
	Of the Parent Company	Of the Minority	Total	Of the Parent Company	Of the Minority	Total
A.- NET CONSOLIDATED RESULT FOR THE PERIOD	**89,078**	**24,353**	**113,431**	**63,869**	**16,792**	**80,661**
B.- OTHER GLOBAL RESULTS RECOGNISED DIRECTLY IN NET EQUITY	**(65,858)**	**(25,261)**	**(91,119)**	**(27,982)**	**(9,536)**	**(37,518)**
Items that will not be recognised in the results:	**(127)**	**(80)**	**(207)**	**-**	**-**	**-**
1. For actuarial gains and losses and other adjustments	(186)	(123)	(309)	-	-	-
2. Tax effect	59	43	102	-	-	-
Items that may be recognised in the results in the future:	**(65,731)**	**(25,181)**	**(90,912)**	**(27,982)**	**(9,536)**	**(37,518)**
4. For valuation of financial instruments:						
a) Financial assets available for sale	-	-	-	-	-	-
5. In hedge transactions:						
a) For cash flow hedges	448	-	448	334	-	334
b) Tax effect	(102)	-	(102)	(83)	-	(83)
6. In translation differences	(66,077)	(25,181)	(91,258)	(28,233)	(9,536)	(37,769)
C.- TRANSFERS TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT	**-**	**-**	**-**	**-**	**-**	**-**
1. In hedge transactions						
a) For cash flow hedges	-	-	-	-	-	-
b) Tax effect	-	-	-	-	-	-
CONSOLIDATED TOTAL GLOBAL RESULT FOR THE FINANCIAL YEAR	**23,220**	**(908)**	**22,312**	**35,887**	**7,256**	**43,143**

Notes 1 to 35 and Annexes I and II described in the accompanying consolidated Report are part of the consolidated global result of the financial year ended on 31 December 2017.

Translation from the original issued in Spanish.
In the event of discrepancy, the Spanish-language version prevails.

CEMENTOS MOLINS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(Thousands of euros)

	Share capital (Note 16.a)	**Reserves of the parent company**	**Own shares** (Notes 16.e and 16.f)	**Other consolidated reserves** (Note 16.f)	**Translation differences** (Note 16.g)	**Other adjustments due to value changes**	**Results for the financial year** (Note 16.h)	**Supplementary dividend** (Note 18)	**Interim dividend** (Note 18)	**Minority interests** (Note 17)	**Total**
31/12/2015	**19,835**	**157,884**	**(29,954)**	**575,279**	**(152,574)**	**(961)**	**50,833**	**-**	**(11,901)**	**96,592**	**705,033**
Distribution of results	-	5,329	-	32,942	-	-	(50,833)	661	11,901	-	-
Supplementary dividend	-	-	-	-	-	-	-	(661)	-	-	(661)
Interim dividend year 2016	-	-	-	-	-	-	-	-	(14,545)	-	(14,545)
Dividend to minority shareholder	-	-	-	-	-	-	-	-	-	(8,033)	(8,033)
Own shares	-	-	(190)	-	-	-	-	-	-	-	(190)
Variation of the limits	-	-	-	-		-	-	-	-	90	90
Other	-	-	-	499	-	-	-	-	-	(86)	413
Global result	-	-	-	-	(28,233)	251	63,869	-	-	7,256	43,143
31/12/2016	**19,835**	**163,213**	**(30,144)**	**608,720**	**(180,807)**	**(710)**	**63,869**	**-**	**(14,545)**	**95,819**	**725,250**
Distribution of results	-	3,630	-	45,033	-	-	(63,869)	661	14,545	-	-
Supplementary dividend	-	-	-	-	-	-	-	(661)	-	-	(661)
Interim dividend year 2017	-	-	-	-	-	-	-	-	(15,868)	-	(15,868)
Dividend to minority shareholder	-	-	-	-	-	-	-	-	-	(5,383)	(5,383)
Own shares	-	-	(9)	-	-	-	-	-	-	-	(9)
Variation of the limits	-	-	-	(936)		-	-	-	-	936	-
Other	-	-	-	523	-	1	-	-	-	3	527
Global result	-	-	-	(127)	(66,077)	346	89,078	-	-	(908)	22,312
31/12/2017	**19,835**	**166,843**	**(30,153)**	**653,213**	**(246,884)**	**(363)**	**89,078**	**-**	**(15,868)**	**90,467**	**726,168**

Notes 1 to 35 and Annexes I and II described in the accompanying consolidated Report are part of the consolidated statement of changes in equity of the financial year ended on 31 December 2017.

CEMENTOS MOLINS, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT
FOR FINANCIAL YEAR ENDED ON 31 DECEMBER 2017
(Thousands of euros)

	Notes	Financial year 2017	Financial year 2016
Cash flow from ordinary activities			
Profits from ordinary activities before taxes		146,178	114,843
Adjustments of the items that do not involve ordinary cash flows:			
Amortisations		34,323	40,116
Valuation allowances due to impairment of the working capital		1,659	2,217
Variation of contributions to provisions		(531)	4,759
Impairment and result for the transfer of fixed assets	26	2,742	2,414
Impairment and result for the transfer of financial instruments	27	-	635
Variation in fair value of financial instruments	27	(485)	-
Results by equity method	10	(78,649)	(77,633)
Financial income and expenses	27	6,263	5,344
Income to distribute amongst several financial years		(354)	(241)
Work on the company's fixed assets		(125)	(256)
Cash generated by operations (I)		**111,021**	**92,198**
Inventories		(7,356)	(12,448)
Debtors and other receivables		(27,589)	(1,880)
Other current assets		(82)	-
Creditors and other payables		16,450	6,282
Other current liabilities		(5,343)	1,043
Cash from variation in working capital (II)		**(23,920)**	**(7,003)**
Corporate Tax (III)		**(25,542)**	**(25,669)**
Net cash flows from ordinary activities (A) = (I)+(II)+(III)		**61,559**	**59,526**
Cash flow from investment activities			
Investment in net subsidiaries of the existing cash items		(23,464)	(39,976)
Net variation in financial investments		76,716	(21,711)
Acquisition of intangible assets		(1,820)	(1,625)
Transfer of intangible assets		(4)	-
Acquisition of properties, plant and equipment		(39,362)	(22,942)
Transfer of properties, plant and equipment		821	1,998
Acquisition of investment properties		-	-
Dividends received from companies accounted for via equity method	10	79,261	63,606
Net cash flows used in investments activities (B)		**92,148**	**(20,650)**
Cash flow from financing activities			
Issuance of equity instruments of minority shareholders	17	-	90
Variation in financial debt	21.c	(18,794)	(5,680)
Variation in other long-term creditors	21.c	83	41
(Payments) / receivables for transactions with treasury shares		(9)	(190)
Financial income received		5,522	8,981
Financial expenses paid		(14,346)	(15,136)
Dividends paid by the Parent Company		(15,215)	(13,311)
Dividends paid to minority shareholders by Group Companies	17	(5,383)	(8,033)
Net cash flows used in financing activities (C)		**(48,142)**	**(33,238)**
Effect of exchange rate variations (D)		**(13,230)**	**(4,089)**
Net variation of cash and other equivalents (A + B + C + D)		**92,335**	**1,549**
Cash and equivalents at the start of period		**78,455**	**76,906**
Cash and other equivalents at the end of period	**12.c**	**170,790**	**78,455**
Cash		149,831	71,616
Cash equivalents		20,959	6,839

Notes 1 to 35 described in the accompanying consolidated Report and Annexes I and II are part of the consolidated cash flow statements of the financial year ended on 31 December 2017.

Cementos Molins, S.A. and Subsidiaries

Notes to the consolidated financial statements for the financial year ended on 31 December 2017

1. Group description and activity

Cementos Molins Sociedad Anónima (hereinafter, “the Parent Company”), was incorporated by means of public deed authorised by the Notary Public of Barcelona, Mr Cruz Usatorre Gracia, on 9 February 1928.

During this year, the Parent Company has moved its registered office from its previous location in Sant Vicenç dels Horts (Barcelona), Carretera Nacional 340, numbers. 2 to 38, km. 1,242.300, to its current location in Madrid, Calle Espronceda, number 38.

It is recorded in the Commercial Registry of Madrid, page M-660923. Its tax ID No. is A.08.017535.

The Parent was incorporated for an indefinite period, and is therefore in existence for as long as it does not meet any of the conditions for dissolution set forth in Article 363 of the current Spanish Limited Liability Companies Law.

Its company object, as established in Article 2 of the bylaws, is:

a) The formation and operation of cement, lime and plaster plants. The manufacture of all manner of construction materials. The exploitation of clay, limestone and plaster quarries and deposits, and the formation and operation of companies to perform activities relating to these products

b) Real estate activities

c) The acquisition, ownership and disposal of movable property and marketable securities.

Cementos Molins, S.A. and Subsidiaries ("the Cementos Molins Group" or "the Group") engage mainly in the manufacture and sale of cement and lime, precast concrete and other building materials, the extraction of aggregates, the preparation of concrete, as well as in environmental activities.

The Group is present in Spain, Mexico, Argentina, Uruguay, Bolivia, Colombia, Tunisia, India, Bangladesh and China.

2. Bases for the presentation of the consolidated financial statements

Bases of presentation

These consolidated financial statements of the Cementos Molins Group were prepared by the directors of the Parent Company in accordance with International Financial Reporting Standards, as adopted by the European Union ("EU-IFRSs"), taking into account all the mandatory accounting principles and rules and measurement bases, and the Spanish Commercial Code, the Spanish Limited Liability Companies Law, the Spanish Securities Market Law and all other Spanish corporate law applicable to the Company, as well as the rules of the Spanish National Securities Market Commission (CNMV). Accordingly, these consolidated financial statements present fairly the Group's consolidated equity and consolidated financial position as at 31 December 2017 and the consolidated results of its operations, the changes in consolidated equity and consolidated statement of comprehensive income, and the consolidated cash flows in the year then ended.

These consolidated financial statements were prepared from the separate accounting records of Cementos Molins, S.A. and of each of the consolidated companies (detailed in Appendices I and II) so that they present fairly the consolidated equity, consolidated financial position and consolidated results of the Group under EU-IFRSs. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2017 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with EU-IFRSs.

In order to uniformly present the various items composing the consolidated financial statements, the accounting policies and measurement bases used by the Parent Company were applied to all the consolidated companies.

These consolidated financial statements of the Group for 2017 were formally prepared by the Parent Company's Board of Directors at its meeting on 27 February 2018 and will be submitted for approval by the shareholders at the Annual General Meeting of Cementos Molins, S.A., and it is considered that they will be approved without any changes. Similarly, the consolidated Group's financial statements for 2016 were approved by the shareholders at the Annual General Meeting of Cementos Molins, S.A. held on 29 June 2017.

EU-IFRSs provide for certain alternatives regarding their application. The alternatives applied by the Group in preparing these consolidated financial statements for 2017 are included in Note 3 'Accounting Policies and Measurement Bases' on an individual basis.

The accounting policies used to prepare these consolidated financial statements comply with all IFRSs in force at the date of their presentation.

Basis of consolidation

The accompanying consolidated financial statements were prepared from the accounting records of Cementos Molins, S.A. and of the companies controlled by it, whose financial statements were prepared by the directors of each company.

The methods used to determine the consolidation method applicable to each Group company were as follows:

Subsidiaries

Subsidiaries, taken to be all companies whose financial and operating policies are governed directly or indirectly by the Group in such a way as to exercise control over the relevant activities of the investee. Also, in order to assess whether the Group controls another entity, it is evaluated whether it has power over the investee, the exposure or rights to variable returns from the investment and the ability to use power to affect the amount of the investor's returns. This usually comes with a holding greater than 50% of the voting power. When assessing whether the Group controls another entity, the existence and effect of potential voting rights are considered. These include those held both by the Parent and by third parties, provided that those rights are substantive. The subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation on the date that control ceases to exist.

The financial statements of the subsidiaries are consolidated with those of the Parent Company using the full consolidation method for those companies over which it exercises effective control as a consequence of holding a majority of the voting power in their representation and decision-making bodies (see Appendix I).

The share of non-controlling interests of:

- The equity of their investees is presented in the chapter "Equity" under "Equity of Minority Interests" in the accompanying Group's consolidated balance sheet. Any losses applicable to the minority interests in excess of the carrying amount of these minority interests would be recognised (if applicable) against the Parent Company's investments.

- The profit for the year is presented under "Net Profit of Minority Interests" in the accompanying consolidated statement of profit or loss.

All the accounts receivable and payable, as well as other transactions between the consolidated companies, were eliminated on consolidation.

Joint ventures

"Joint ventures" are contractual arrangements whereby two or more companies have interests in entities (jointly controlled entities) or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers. As a result of applying IFRS 11, Joint Arrangements, the Group accounts for investments in jointly controlled entities using the equity method and recognises them under "Companies Accounted for Using the Equity Method" in the accompanying consolidated balance sheet. The share in the net result after tax of these companies is recognised under "Share of Profit of Companies Accounted for Using the Equity Method" in the accompanying consolidated statement of profit or loss.

If as a result of losses incurred by a joint venture, its book equity were negative, it should be presented in the Group's consolidated balance sheet as a zero value, unless the Group is obliged to give it financial support.

Consequently, the investments in joint ventures were accounted for using the equity method (Appendix II).

Other matters

The financial statements of foreign companies were translated using the year-end exchange rate method, using as a general rule the exchange rates prevailing at 31 December of each year for items in the consolidated balance sheet, except for capital and reserves, which were translated at the historical exchange rates, while items in the consolidated statement of profit or loss were translated at the average monthly exchange rates for the year, recording any differences under "Translation differences" in the chapter "Equity Attributable to the Parent Company" in the accompanying consolidated balance sheet.

The Group does not have any investments in companies whose functional currency differs from the local currency in which their financial statements are presented.

The translation differences included in the changes in fixed assets arose from the application of the year-end exchange rate method in the consolidation of foreign companies and are recognised in consolidated equity under "Translation Differences".

The Group used the acquisition method in all cases of business combinations that occurred subsequent to the date of transition to EU-IFRSs when accounting for these transactions and recognised as goodwill arising from the combination the difference between the cost of the combination and the net fair value of the acquired company's identified and recognised assets, liabilities and contingent liabilities.

Comparative information

As required by the EU-IFRSs, the information contained in these notes to the consolidated financial statements for the financial year 2016 is presented solely and exclusively for the purposes of comparison with the information corresponding the financial year 2017.

Currency

These consolidated financial statements are presented in euros since this is the currency of the primary economic environment in which the Group operates. Transactions denominated in functional currencies other than the euro are recognised in accordance with the policies described in Note 3.

Correction of errors

In preparing the accompanying consolidated financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for 2016 as required by IAS 8.

Grouping of items

Certain items in the consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the consolidated financial statements.

Responsibility for the information and the estimates made

The information in these consolidated financial statements is the responsibility of the Parent's directors, who have verified that the various controls established to ensure the quality of the financial and accounting information prepared by them have operated effectively.

In the Group's accompanying consolidated financial statements judgments and estimates were occasionally made by management of the Parent Company and of the consolidated companies in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- the useful life of the property, plant and equipment and intangible assets;
- the measurement of goodwill arising on consolidation;
- the impairment losses on certain assets;
- the assumptions used in the actuarial calculation of the pension obligations;
- the assessment of lawsuits, obligations and contingent assets and liabilities at year-end;
- in determining the recoverable amount of investments accounted for using the equity method, and
- the recoverability of tax loss carryforwards and deferred tax assets.

Although these judgments and estimates were made on the basis of the best information available on 31 December 2017 on the events analysed, events that may take place in the future (economic events, regulatory changes, etc.) might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, and the effects of the change in estimates would be recognised in the consolidated statement of profit or loss for the year in which they arise.

3. Accounting policies and measurement bases

The Group's consolidated financial statements for the year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the requirement to present consolidated financial statements in accordance with IFRSs as adopted in the European Union is also regulated by Final Provision Eleven of Law 62/2003, of 30 December 2003, on tax, administrative, labour and social security measures.

The principal accounting policies used in preparing the accompanying consolidated financial statements, in accordance with International Financial Reporting Standards and the interpretations in force at the time of preparing these consolidated financial statements, were as follows:

a) Changes in accounting policies and in information breakdowns effective in 2017

The following standards (IFRSs) and interpretations (IFRICs) came into force in the reporting period that began on 1 January 2017, although they did not have a material impact or were not applicable to the Group in these consolidated financial statements:

New standards, amendments and interpretations		Compulsory application for the financial years beginning on or after
Approved for their use in the European Union		
Amendments to IAS 7 - Breakdown initiative (published in January 2016)	It introduces additional breakdown requirements on the financing activities.	1 January 2017
Amendment to IAS 12. Recognition of deferred tax assets for unrealised losses (published in January 2016)	Clarification of the principles established in regards to the recognition of deferred tax assets for unrealised losses.	1 January 2017
Improvements to IFRS Cycle 2014-2016: Clarification concerning IFRS 12	The clarification concerning the scope of IFRS1 and its interaction with IFRS 5 comes into force during this period.	1 January 2017

b) Accounting policies issued but not yet in force in 2017

At the date of preparation of these consolidated financial statements, the following standards, amendments 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 consolidated financial statements or because they had not yet been adopted by the European Union (EU-IFRSs):

New standards, amendments and interpretations		Compulsory application for the financial years beginning on or after
Approved for their use in the European Union		
IFRS 15 – Revenue from contracts with clients and its clarifications (published in May 2014 whereas the clarifications were published in April 2016)	New income recognition standard (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31).	1 January 2018
IFRS 9 – Financial Instruments (last stage published in July 2014)	It replaces the requirements of classification, valuation, recognition and derecognition of financial assets and liabilities, the accounting of hedges and impairment stated in IAS 39.	1 January 2018
Amendment to IFRS 4 – Insurance Contracts (published in September 2016)	It allows entities, within the scope of IFRS 4, to apply IFRS 9 (“overlay approach”) or its temporary exemption.	1 January 2018

New standards, amendments and interpretations		**Compulsory application for the financial years beginning on or after**
IFRS 16 Leases (published in January 2016)	It replaces IAS 17 and related interpretations. The main change is that the new standard proposes a sole accounting model for leaseholders, who shall include in the balance all leases (with some limited exceptions) with a similar impact to that of current financial leases (there will be amortisation of assets for the right of use and a financial expense for the amortised cost of the liability).	1 January 2019
Not approved for their use in the European Union		
IFRS 17 – Insurance Contracts (published in May 2016)	It replaces IFRS 4. It reflects the principles of recognition, valuation, presentation and breakdown of insurance contracts so that the entity provides relevant and reliable information in order to enable its users to determine the impact of contracts on financial statements.	1 January 2021
Amendment to IFRS 2 – Classification and measurement of share-based payments (published in June 2016)	These are limited amendments that clarify specific matters, like the effects of accrual conditions in share-based payments to be settled in cash, the classification of share-based payments when they have net settlement clauses and some aspects of the amendments to share-based payments.	1 January 2018
Amendment to IAS 40 – Reclassification of investment property (published in December 2016)	This amendment makes it clear that changing the classification of an investment from, or to, investment property is only permitted when there is evidence of change in use.	1 January 2018

New standards, amendments and interpretations		Compulsory application for the financial years beginning on or after
IFRIC 22 – Foreign currency transactions and advances (published in December 2016)	This interpretation establishes the “date of transaction” for the purpose of determining the exchange rate applicable to transactions that involve advance consideration in a foreign currency.	1 January 2018
IFRIC 23 – Uncertainty over tax treatments (published in June 2017)	This interpretation clarifies how to apply the recognition and valuation criteria with respect to IAS 12 in case of uncertainty as to whether the tax authority will accept a particular tax treatment used by the entity.	1 January 2019
Amendment to IFRS 9 - Prepayment features with negative compensations (published in October 2017)	Some financial instruments with prepayment features can be measured at amortised cost, thus allowing the payment of a lower amount than the unpaid amounts of principal and interests.	1 January 2019
Amendment to IFRS 28 - Long-term interests in associates and joint ventures (published in October 2017)	It clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture when the equity method is not applied.	1 January 2019
Improvements to IFRSs Cycle 2014-2016 (published in December 2016)	Minor amendments to a series of standards (with different effective dates).	1 January 2018
Improvements to IFRSs Cycle 2015-2017 (published in December 2017)	Minor amendments to a series of standards.	1 January 2019
Amendment to IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate / joint venture (published in September 2014)	Clarification regarding the result of these transactions, whether they are businesses or assets.	Undefined date

The application of new standards, amendments and interpretations shall be considered by the Group once they have been ratified and adopted, if appropriate, by the European Union. In any case, the Parent Company's directors have assessed the potential impact of applying these standards in the future and consider that their entry into force will not have a material effect on the Group's consolidated financial statements.

IFRS 15 Revenue from contracts with clients

IFRS 15 is the comprehensive standard for recognition of income with customers, which is to replace the following standards and interpretations that are currently in force: IAS 18 Income from ordinary activities, IAS 11 Construction contracts, IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of buildings, IFRIC 18 Transfers of assets from customers and SIC 31 Income-Swaps of advertising services.

In accordance with the new requirements in IFRS 15, income should be recognised in such a way that the transfer of goods or services to customers is shown through an amount that reflects the consideration to which the entity expects to have the right to in exchange of such goods or services. In particular, it sets a income recognition approach based on five steps:

· Step 1: To identify the contract or contracts with a customer.

· Step 2: To identify the obligations of the contract.

· Step 3: To determine the transaction price.

· Step 4: To distribute the price of the transaction among the obligations of the contract.

· Step 5: To recognise income when (or as) the entity meets each of the obligations.

Under IFRS 15, income should be recognised as the obligations are met, that is to say, when the "control" of the goods or services underlying the obligation in question are transferred to the customer. Guidelines are also incorporated of a much more prescriptive nature for specific scenarios, and this requires a comprehensive breakdown of information.

In connection with the aforementioned standard and taking into account the business in which the Group operates, the application of the criteria set out in IFRS 15 does not mean that the recognition of income differs significantly from that applied now.

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 from the annual financial year initiated on 1 January 2018 and this affects financial instruments whether for assets or liabilities, covering three large blocks: (i) Classification and measurement, (ii) impairment of value and (iii) hedge accounting. The Group has conducted a preliminary analysis on the impacts that IFRS 9 would have on the consolidated financial statements for the annual close ended 31 December 2017.

There are relevant differences with the current standard for the recognition and measurement of financial instruments, with the most significant being:

- Investments in debt that are kept within a business model whose objective is the acquisition of the contractual cash flows that exclusively consist of payments of principal and interest, shall generally be measured at amortised cost. When these debt instruments are kept within a business model whose objective will be achieved through the provision of contractual cash flows of principal and interest and the sale of financial assets, they will generally be measured at fair value with changes in the status of the consolidated overall result. All other investments in debt and equity will be measured at fair value through profit or loss. However, the entities may irrevocably opt to submit in the overall consolidated result statement the subsequent changes in the fair value of certain investments in equity instruments and, in general, in this case only dividends will be recognised later in the result.

- Contractual amendments of financial liabilities that do not determine their de-recognition of the balance should be accounted for as a change in the estimate of the contractual liability flows, maintaining the original effective interest rate and adjusting their carrying value at the date of the modification, recording the difference in the results.

- In connection with the impairment of value of financial assets, the new IFRS 9 requires the application of a model based on the expected loss, compared to the model of the current IAS 39 structured on the loss incurred. Under this model the entity shall account for the expected loss, as well as changes in this at each reporting date, to reflect changes in the credit risk from the date of initial recognition. In other words, it is not necessary that there is an impairment event before a credit loss is recognised.

The intention of the Group is to apply IFRS 9 retrospectively, without re-expression of the comparative information. From an analysis of the financial assets and liabilities of the Group at 31 December 2017, carried out on the basis of the facts and circumstances existing at that date, the Group’s Management conducted an assessment of the potential effect of IFRS 9 on the consolidated financial statements, as shown below:

• *Classification and valuation of financial instruments*

The new approach to classification of assets is based on the contractual characteristics of the cash flows of the assets and the business model of the Group. According to them, all assets will be classified in three categories: (i) at amortised cost, (ii) fair value with changes in the status of the overall consolidated result (equity) and (iii) fair value through changes in profit or loss.

No relevant changes in the classification and measurement of financial assets based on the typology of financial instruments and the current business model of the Group are seen from the preliminary analysis. Loans granted and accounts receivable at amortised cost are maintained within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on outstanding principal. Consequently, these financial assets will continue to be valued at amortised cost according to the application of IFRS 9.

At 31 December 2017, the Group does not maintain debt assets classified as held-for-sale investments, equity instruments (both quoted and non-quoted), variable income assets, or has it carried out in the previous financial years, renegotiations of its financial liabilities that, in accordance with IAS 39, were not considered substantial (this is the reason why the carrying value of financial liabilities not derecognised from the balance sheet was not required). Accordingly, the modifications introduced by IFRS 9 in relation to the classification and measurement of these instruments would have no impact on the consolidated financial statements.

• *Impairment of financial assets*

The financial assets valued at amortised cost, the accounts receivable due to financial leasing, the amounts receivable from customers and financial guarantee contracts shall be subject to the provisions of the new IFRS 9 with regards to impairment.

The new standard replaces the "Loss incurred" models set out in the current IAS 39 with a single "Expected loss" model. This new model requires the registration, on the date of initial recognition of financial assets, of the expected loss resulting from a "default" event over the next 12 months or throughout the life of the contract, depending on the evolution of the credit risk of the financial asset since its initial recognition in the balance sheet or by the application of the "simplified" models allowed by the standard for some financial assets.

The Group hopes to implement the simplified approach to recognise the expected loss and is finalising the full expected loss model. In this context, the preliminary estimate on the amount of the additional allocation required by the application of the new model on the balances of financial assets held to 1 January 2018 would be between 0.5 and 1.5 million euros. This will mean a lower amount of consolidated reserves by 1 January 2018.

IFRS 16 Leases

IFRS 16 shall come into force on 1 January 2019 and shall replace IAS 17 and current related interpretations. The main change in IFRS 16 is that there will be a sole accounting model for leaseholders, who shall include in the balance all leases (with some limited exceptions) with a similar impact to that of current financial leases (there will be amortisation of assets for the right of use and a financial expense for the amortised cost of the liability).

The Group is assessing what will be the effect of the application of IFRS 16 on the consolidated financial statements. IAS 17 does not require the recognition of any asset or liability for right of use for future payments by these leases; on the other hand, certain information is revealed as operating lease commitments in Note 25.e of the consolidated financial statements. A preliminary assessment indicates that a large part of these agreements will comply with the definition of lease in accordance with the IFRS 16 and, therefore, the Group recognises a right of use and the corresponding liability.

It is expected that the new requirements of IFRS 16 may have a significant impact on the amounts recorded in the financial statements of the Group and the Management is currently quantifying this potential impact, so that it is not feasible to provide a reasonable estimate of the financial effect until this analysis has been completed.

The Group does not intend to apply this rule in advance and, to date, has not decided which option will be applied at the date of transition.

c) Intangible assets

Intangible assets are recognised initially at acquisition or production cost. If applicable, they are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

They can have whether an “indefinite useful life” —when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the consolidated companies— or a “finite useful life”, in all other cases.

Intangible assets comprise administrative concessions, licences, trademarks, computer software and quarry prospecting and preparation expenditure.

There are trademarks (intangible assets) which are considered to have an indefinite useful life and, therefore, their contributions to profits are deemed not to be limited in time. Intangible assets with indefinite useful lives are not amortised, but rather at the end of each reporting period the consolidated companies review the remaining useful lives of the assets in order to ensure that they continue to be indefinite or, if this is not the case, to take the appropriate steps.

Quarry prospecting and preparation assets are measured at the cost incurred and are recognised when the legal rights to operate the quarry have been granted and once the technical and economic feasibility of each project has been guaranteed. They are transferred to profit or loss on the basis of the rate of extraction of the mineral resource in relation to the maximum assessed capacity. Expenses related to the exploration and assessment of mineral resources prior to ascertaining the technical feasibility and commercial viability thereof are scantly material with respect to the accompanying consolidated financial statements.

The Group companies amortise their intangible assets by the straight-line method over the following years of estimated useful life:

	Estimated useful life in years
IT applications	3 to 6
Administrative concessions	10 to 20
Remainder	5 to 10

Emission allowances:

In 2013, the subsidiary Cementos Molins Industrial, S.A.U. received emission allowances equal to 7.1 million tonnes of CO_2 for the 2013-2020 period, at a rate of approximately 0.9 million tonnes for each year of the period, in accordance with the Spanish Council of Ministers’ Agreement of 15 November 2013.

The emission allowances granted at zero cost for each of the years are recorded at their market value on the asset side of the consolidated balance sheet under "Intangible Assets" with a credit to “Income to be distributes over several financial years". These grants are recognised under "Other Operating Income" in the consolidated statement of profit or loss to the extent that the CO_2 emissions for which the allowances were granted are released. Also, a provision for risks and charges is recognised in order to reflect the obligation to surrender CO_2 emission allowances with a charge to "Other Operating Expenses" in the consolidated statement of profit or loss. The amount of this provision is determined taking into account that the obligation will be offset through the return of the emission allowances granted at zero cost to the company or through other emission allowances banked in the consolidated balance sheet or acquired or generated subsequently.

If, at the balance sheet date, the CO_2 emissions made during the production process made it necessary to purchase emission allowances because actual emissions exceed the emissions corresponding to the emission allowances held by the Group at that date, the provision for this shortfall would be quantified at the market value of the emission allowances at the balance sheet date (see Note 29).

d) Goodwill and business combinations

The obtainment by the Parent Company of control over a subsidiary constitutes a business combination to which the acquisition method is applied. When the ownership interest is consolidated subsequently, the equity investment in the subsidiary is generally eliminated on the basis of the values resulting from applying the acquisition method (described below) at the date on which control is obtained.

Business combinations are accounted for by applying the acquisition method, for which the acquisition date is determined and the cost of the combination is calculated, and the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair value.

The excess between the cost of a business combination and the amounts allocated to assets, liabilities and contingent liabilities of the acquiree is recognised as goodwill and represents, therefore, a payment made by the Group in anticipation of future economic benefits from assets that have not been individually and separately identified and recognised.

Any negative difference between the cost of the business combination and the amounts allocated to the assets, liabilities and contingent liabilities of the acquiree is recognised in profit or loss in the year in which it arises.

The cost of the business combination is the aggregate of:

- The acquisition-date fair value of the assets acquired, the liabilities assumed and the equity instruments issued.

- The fair value of any contingent consideration that depends on future events or on the fulfilment of certain specified conditions.

The costs incurred to issue equity or debt securities given up in exchange for the items acquired are not included in the cost of a business combination.

If the business combination is achieved in stages and, therefore, the acquirer already held an equity interest in the acquiree immediately before the acquisition date (the date on which control is obtained), the goodwill or gain on a bargain purchase is the difference between:

- The cost of the business combination, plus the acquisition-date fair value of any equity interest previously held by the acquirer in the acquiree; and

- The fair value of the identifiable assets acquired less the fair value of the liabilities assumed, determined as indicated above.

Any gain or loss resulting from the remeasurement at fair value of the previously held equity interest in the acquiree on the date control is obtained is recognised in consolidated profit or loss. If the investment in this investee had previously been measured at fair value, any valuation adjustments not yet recognised in profit or loss will be transferred to the consolidated statement of profit or loss. Also, the cost of a business combination is presumed to be the best reference for estimating the acquisition-date fair value of any previously held equity interest.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree and is translated to euros at the exchange rates prevailing at the consolidated balance sheet date.

The Parent Company's Management allocates goodwill to the various cash-generating units (hereinafter, CGUs) to which the benefits of the business combination synergies are expected to flow, separately from any other assets or liabilities of the acquiree which are allocated to these units or groups of units.

The Parent's management tests each CGU for impairment at the end of each year and whenever there are indications of impairment by comparing the carrying amount of the relevant CGU, including goodwill, with its recoverable amount.

If the recoverable amount of the CGU exceeds its carrying amount, the CGU and the related goodwill are not considered to be impaired. Otherwise, the Group recognises an impairment loss in accordance with the following criteria:

- First, the amount of any goodwill allocated to the CGU is reduced and, should the impairment loss exceed this amount,

- The excess is allocated to the other assets of the CGU pro rata on the basis of the carrying amount of each asset.

Goodwill is not amortised and is subsequently measured at cost less any impairment losses recognised. An impairment loss recognised for goodwill must not be reversed in a subsequent period.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete, and the provisional amounts may be adjusted in the period required to obtain the necessary information. However, the measurement period shall not exceed one year from the acquisition date. The effects of the adjustments made in that period are recognised retrospectively and comparative information for prior periods must be changed if necessary.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration has been classified as equity, in which case subsequent changes in its fair value are not recognised.

e) Property, plant and equipment

Property, plant and equipment are recognised at acquisition or production cost.

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

Group work on property, plant and equipment is determined on the basis of in-house warehouse materials consumed and labour costs.

Borrowing costs directly attributable to the acquisition or production of certain assets are capitalised with a higher asset value until the assets are brought into operating condition, provided that the total value of the asset does not exceed its realisable value.

Upkeep and maintenance expenses are charged to the consolidated statement of profit or loss for the year in which they are incurred.

Items in the course of construction are transferred to property, plant and equipment in use once the installation and start-up period has ended.

The Group companies depreciate their property, plant and equipment on a straight-line basis over the following years of estimated useful life:

	Estimated useful life in years
Buildings	25 to 68
Technical facilities	7 to 20
Machinery	16 to 33
Tools	3 to 8
Furniture	10 to 15
Computer processing equipment	4 to 8
Transport elements	8 to 18

In the year 2017, the Tunisian companies (Sotacib, S.A. and Sotacib Kairouan, S.A.) proceeded to make a change in the estimation of the useful life of certain production equipment. As a result of a technical analysis carried out by internal technicians and validated by external consultants, it has been found that the effective life of the equipment and facilities is shown to be greater than that accounted for, which creates a change in the estimates of the useful lives. The effect of this change is established from 1 January 2017 and its impact on the consolidated profit and loss account for the year has been for 5.5 million euros (the effect on the net profit for the period attributable to the Parent Company amounts to 3.8 million euros).

f) Government grants

Non-refundable government grants received are measured at the amount granted. Grants related to income are taken directly to income. Grants related to assets are recognised in income in proportion to the period depreciation taken on the assets associated with these grants. In the case of non-depreciable assets, the grants are recognised in income in the year in which the assets are disposed of, become impaired or are derecognised.

Information on greenhouse gas emission allowances can be found in Note 29.

g) Leases

<u>Financial leases</u>

For finance leases in which the Group companies act as lessee, the cost of the leased assets is presented in the consolidated balance sheet based on the nature of the leased asset and, simultaneously, a liability is recognised for the same amount. This amount is the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the minimum lease payments agreed upon, including the purchase option, when there is no reasonable doubt that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the consolidated statement of profit or loss for the year in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the year in which it is incurred.

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

<u>Operating leases</u>

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

When the consolidated companies act as the lessee, lease costs are recognised in the statement of profit or loss on an accrual basis.

h) Investment property

"Investment Property" includes assets, mainly land and buildings held to earn rentals or for long-term capital appreciations for the Group, rather than for production or for administrative purposes.

Property, plant and equipment are initially measured at cost revalued pursuant to the applicable legislation, and, in the case of buildings, depreciated on a straight-line basis at 3% per annum.

i) Impairment of property, plant and equipment, intangible assets and goodwill

At each balance sheet date, the Group reviews the carrying amounts of the property, plant and equipment and intangible assets with finite useful lives to assess whether there is any sign that the assets might have suffered an impairment loss. If any such indication exists, an estimate of the recoverable amount of these assets is made to determine the impairment loss incurred. Where the asset analysed does not generate cash flows that are independent from other assets, the Group estimates the fair value of the cash-generating unit to which the asset belongs.

Property, plant and equipment and intangible assets with indefinite useful lives not subject to systematic depreciation or amortisation are tested for impairment at least annually, or where there is an indication that the asset might have suffered an impairment loss.

The recoverable amount of an asset subject to impairment is the higher of fair value less costs to sell and value in use. In order to estimate value in use, the future cash from of the asset analysed (or of the cash-generating unit to which it belongs, as appropriate) are discounted to their present value using a discount rate that reflects both the time value of money and the risk specific to the asset. Where the recoverable amount of an asset is estimated to be less than its net carrying amount, the difference is recognised with a charge to "Result from impairment and sale of assets" in the consolidated statement of profit or loss. Impairment losses recognised for an asset are reversed with a credit to this heading when the related recoverable amounts are expected to increase, thereby increasing the value of the asset up to the limit of the carrying amount that would have been determined had no impairment loss been recognised, except for goodwill, the impairment losses on which are not reversible.

The method used to test impairment distinguishes between assets associated with businesses with indefinite and finite lives. Financial projections with a particular time frame and a perpetual return are used for businesses with indefinite lives. Projections in accordance with the actual lives of the assets or lines of business are used for businesses with finite lives. In both cases, to estimate the value in use, the Group prepares forecasts of future cash flows based on projections approved by the Management. These projections take into account the available estimates of income and costs of the cash generating units in accordance with the business plan and calculating a residual value based on the flow of the last projected year. In all cases, the key assumptions on which the projections of cash flows were based have been:

- Production volume and sales.
- Selling price and production costs.
- Discount rates.

At year end, the Parent Company's Management considers as valid all the assumptions made at the time of preparing the impairment tests. Additionally, some sensitivity analyses are performed with regards to the aforementioned key assumptions in order to foresee the impact that future changes may have on these variables.

j) Financial instruments

Financial assets

The Group determines the most appropriate classification for each financial asset on acquisition and such classification is reviewed at the end of each year Current and non-current financial assets are classified into the following categories:

- Held-for-trading financial assets: assets acquired mainly for the purpose of generating a profit as a result of changes in value. This category also includes financial derivatives that are not financial guarantees and that have not been designated as hedging instruments.

  The assets included in this category are recognised at fair value in the accompanying consolidated balance sheet, and changes in value are recognised in the accompanying consolidated statement of profit or loss under "Finance Costs" or "Finance Income", as appropriate.

- Loans and receivables: these are recognised initially at fair value in the consolidated balance sheet, and are subsequently measured at amortised cost using the effective interest rate.

  The Group makes the appropriate provisions with a charge to consolidated income for the difference between the amount of the receivables expected to be recovered and the carrying amount at which they are recognised.

- Held-to-maturity investments: these are financial assets that the Group has the intention and ability to hold to the date of maturity, and are recognised at amortised cost using the effective interest rate.

- Factoring transactions: the Group derecognises a financial asset, where the Group does not retain any credit or interest rate risk, when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred.

- Available-for-sale financial assets: those assets that do not fall into any of the above four categories. These investments are carried at year-end fair value in the consolidated balance sheet. In the case of investments in unlisted companies, fair value is obtained through alternative methods such as comparison with similar transactions, or by discounting expected cash flows. Changes in market value are recognised with a charge or credit to “Adjustments due to value changes" in consolidated equity. On disposal of these investments, the cumulative net valuation adjustments are recognised in full in the consolidated statement of profit or loss.

Investments in the share capital of unlisted companies whose fair values cannot be measured reliably are measured at acquisition cost.

Financial liabilities

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

Liability derivative financial instruments are recognised at fair value using the same criteria as those applied to financial assets held for trading described in the preceding section.

Debt arrangement expenses are recognised in the accompanying consolidated balance sheet as a deduction from the related debt and are recognised in the consolidated statement of profit or loss over the same period as the debt.

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

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

Fair value hierarchy

The valuation of assets and liabilities valued by their fair value is broken down by levels according to the following hierarchy determined by IFRS 13 and IFRS 7:

- Level 1: The inputs are based on quoted prices (unadjusted) in active markets for identical asset or a liability instruments.

- Level 2: The inputs are based on quoted prices for similar instruments in asset markets (not included in the level 1), quoted prices for identical or similar instruments in markets that are not active, and techniques based on valuation models for which all significant inputs are observable on the market or can be corroborated by observable market data.

- Level 3: The inputs are generally not observable and generally reflect estimates of the market assumptions to determine the price of the asset or liability. Non observable data used in the measurement models are significant in the fair values of the assets and liabilities.

At 31 December 2017 and 2016, the Group has no assets and liabilities to be valued in accordance with the level 1 and 3 of the aforementioned fair value hierarchy. In turn, derivative financial instruments described in Note 21 are included in the Level 2.

k) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge the financial risks to which it is exposed. As part of these transactions, the Group has arranged certain hedging and speculative financial instruments.

The Group's use of financial derivatives is governed by financial risk management policies, which provide guidelines for their use.

No embedded derivatives (forward contracts at a fixed price) have been identified in any of the Group companies at the end of 2017 and 2016.

a. Hedging derivative financial instruments:

The transactions with hedging financial derivatives at the end of 2017 relate to:

- Interest rate hedges on certain borrowings.

- Foreign currency hedging transactions in Bangladesh for intra-Group commercial transactions with India.

The accounting treatment of hedging transactions with derivative instruments is as follows:

- <u>Fair value hedges</u>

  Changes in the market value of the derivative financial instruments designated as hedges and of the hedged items are charged or credited to "Financial Result" in the consolidated statement of profit or loss.

- <u>Cash flow hedges</u>

  Changes in the market value of these derivative financial instruments are recognised, for the effective portion, directly in equity, whereas the ineffective portion is recognised in the consolidated statement of profit or loss. The amount recognised in equity is not transferred to the consolidated statement of profit or loss until the results of the hedges are recognised therein or until the expiry of these transactions.

If hedge accounting is discontinued, the loss or gain accumulated in equity at that date is retained in equity until the hedged transaction occurs. Then, the loss or gain accumulated in equity will be allocated to the profit and loss account, thus affecting the results of the transaction. The market value of the various financial instruments relates to their market price at year end.

b. Speculative derivative financial instruments:

Those speculative derivative financial instruments purchased during 2017 corresponded to the *Non Delivery Forward* type, which aimed at mitigating the exchange rate risk with respect to cash flows of certain financial transactions. In 2017 a finance income totalling 485 thousand euros was recognised in the consolidated statement of profit or loss to recognise the effect of the aforementioned contracts which have now matured (Note 27).

At the end of 2017 and 2016, the Company did not hold any positions in speculative derivative financial instruments.

l) Companies accounted for using the equity method

Investments in associates over which there is significant influence are accounted for using the equity method and are stated at the value of the share of the net assets of the investee, increased by the value of the goodwill still existing at the reporting date.

Companies accounted for using the equity method arising from a loss of control are recognised at their fair value at the time of the transaction and are reviewed annually for any indication of the existence of impairment as indicated in Note 3-i.

m) Parent Company shares

The Parent Company's treasury shares, which are listed, are recognised at acquisition cost as a deduction from equity.

Gains or losses on the purchase, sale, issue or retirement of the Parent Company's own equity instruments are recognised directly in equity.

n) Non-current assets and disposal groups classified as held for sale

The Group classifies a non-current asset or disposal group as held for sale when its carrying amount will be recovered through a sale transaction rather than through continued use. This condition is met when the decision to sell the asset has been taken, the sale of the asset is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within the following twelve months.

These assets or disposal groups are measured at the lower of their carrying amount and fair value less selling costs.

Non-current assets classified as held for sale are not depreciated, but rather at the end of each reporting period the related valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell.

Income and expenses arising from non-current assets and disposal groups classified as held for sale which do not qualify for classification as discontinued operations are recognised under the related heading in the consolidated statement of profit or loss on the basis of their nature.

When the criteria required for classifying an asset (or disposal group) as held for sale are no longer met, the asset (or disposal group) is reclassified under the balance sheet headings corresponding to its nature and is measured at the reclassification date at the lower of its carrying amount prior to its classification as a non-current asset held for sale adjusted, if appropriate, by the amortisation and depreciation charge and impairment losses which would have been recognised had it not been classified as held for sale, and its recoverable amount. Any difference is recognised in the consolidated statement of profit or loss in accordance with its nature.

o) Stocks

Raw materials and supplies are recognised at the lower of acquisition cost and market value. In the most general case, acquisition cost is calculated by reference to the annual average cost.

Finished goods and work in progress are measured at average cost (materials, labour and direct and indirect manufacturing expenses).

Obsolete, defective or slow-moving inventories have been reduced to realisable value.

Any losses arising from the excess of cost over the realisable value of the inventories at the balance sheet date are recognised under "Provisions" on the liability side of the accompanying consolidated balance sheet.

p) Cash and equivalents

For the purposes of determining the consolidated statement of cash flows, "Cash and Cash Equivalents" includes the Group's cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

q) Pensions and similar obligations

Pension obligations to the employees at the Spanish companies adhere to the provisions of the collective agreements in force, which are arranged through occupational pension plans under Law 8/87, and are defined contribution plans. The amounts contributed are recognised in full in “Contributions to Pension Plans” under the heading "Staff Costs” of the accompanying consolidated statement of profit or loss.

The defined benefit obligations for Cementos Molins, S.A. are limited to the group of retirees prior to the conversion to defined contribution of the obligation under the collective agreement.

<u>Assessment criteria</u>

The amount of the defined retirement benefit obligations was determined using the following techniques:

- Valuation method: the actuarial valuations were calculated on a projected unit credit basis, which is the method accepted under EU-IFRSs. The value of the pension obligations is calculated on the basis of the present value of the benefit obligations and takes into account the number of years of service by employees.

- Actuarial assumptions employed: unbiased and mutually consistent.

- The estimated retirement age of each employee is the first at which the employee would be entitled to retire under the employment and social security legislation in force in each country taking into account, if any, such labour agreements as might be entered into pursuant to current legislation.

The regular contributions made during the year, made up basically of the ordinary cost and, where applicable, the risk premium, are recognised with a charge to the consolidated statement of profit or loss for the year.

At the balance sheet date, the positive difference between the present value of the defined benefit liabilities and the fair value of the plan assets is recognised as a liability in the consolidated balance sheet If this difference is negative, it is recognised as an asset in the consolidated balance sheet only for the portion relating to the present value of any future economic benefits that could become available through plan redemptions or reductions in future plan contributions.

Actuarial gains and losses that could arise due to either increases or decreases in the present value of the defined benefit liabilities, or to changes in the fair value of the plan assets, are recognised directly in equity Actuarial gains and losses arise from variances between the estimated and actual performance of actuarial assumptions or the restatement of established actuarial assumptions.

The causes of these gains and losses include the following:

- The effect of changes in estimates of the rates of employee turnover, mortality, early retirement and employee salary increase, and the effect of changes in benefits due to variances in inflation, and

- The return on the plan assets, excluding the amounts included in net interest.

r) Provisions and contingent liabilities

1. Provisions: the Group recognises a provision when it has an obligation or commitment to a third party arising from past events, the settlement of which will give rise to an outflow of economic benefits whose amount and/or timing are not known with certainty but can be estimated with reasonable reliability.

   Provisions are quantified on the basis of the best information available on the event and its consequences and are reviewed and adjusted at the end of each year. Provisions are used to cater for the specific risks for which they were originally recognised,and are fully or partially reversed when such risks cease to exist or are reduced.

   The provision for third-party liability includes emission allowances and quarry restoration costs.

   The Group's policy for companies which have acquired restoration obligations on the basis of the applicable legislation in each country in which they operate is to recognise a provision for the restoration costs incurred in proportion to the percentage of completion of the operation and an additional provision for restoration costs to be incurred only once the operation has been completed.

   In relation to the latter costs, the Group considers as acquisition costs of the assets the related site restoration costs, to the extent that they must be considered a provision for future costs (IAS 37, Provisions, Contingent Liabilities and Contingent Assets). Consequently, restoration costs must be recognised at their discounted amount, provided that the effect of discounting is significant, and must be amortised over the asset's useful life or pattern of consumption. The provision must be reduced by the restoration costs actually incurred.

   For information regarding the provision concerning greenhouse gas emission allowances, see Note 29 of these consolidated financial statements.

2. Contingent liabilities: this refers to all possible obligations arising from past events, whose future existence and associated material damage is subject to the occurrence or non-occurrence of one or more future events beyond the control of the consolidated companies. In accordance with EU-IFRSs, the Group does not recognise any provision in this connection. However, they are reported as required in the consolidated financial statements.

s) Termination benefits

Under the legislation prevailing in each case, the Spanish consolidated companies and certain Group companies located abroad are required to pay termination benefits to employees terminated without just cause. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. These consolidated financial statements do not include any significant provision in this regard.

t) Revenue and expenses

Revenue and expenses are recognised on an accrual basis, i.e. the income or expense deriving from the goods and services in question is incurred, regardless of the time when the resulting monetary or financial flow arises, recognising accrued income in addition to all associated necessary expenses. Sales of goods are recognised when the goods are delivered and the risks and rewards incidental to ownership have been substantially transferred.

Dividend income from investments in financial assets is recognised when the shareholder's rights to receive payment have been established.

Gains and losses arising from the sale or retirement of an asset are determined as the difference between the carrying amount of the asset and its selling price, which is recognised in the consolidated statement of profit or loss.

u) Corporate Tax

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

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

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

Also, at consolidated level, any differences between the consolidated carrying amount of an investment in an investee and the related tax base are also taken into account In general, such differences arise from the undistributed profits generated since the date of acquisition of the investee, from tax credits associated with the investment and, in the case of investees with a functional currency other than the euro, from translation differences. The deferred tax assets and deferred tax liabilities arising from these differences are recognised, unless, in the case of taxable differences, the investor is able to control the timing of reversal of the difference and, in the case of deductible differences, if the difference is expected to reverse in the foreseeable future and if the company is likely to have sufficient future taxable profits.

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

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability.

Additionally, the amount of deductions that might be applied is also recognised (see Note 23).

Cementos Molins, S.A. is subject to the Corporate Tax under the consolidated taxation regime as provided for in Chapter VI of Title VII of Law 27/2014, dated 27 November, on the Corporate Tax. The companies comprising the Group for tax purposes are: Cementos Molins, S.A., Cementos Molins Industrial, S.A.U., Cemolins Internacional, S.L.U., Cemolins Servicios Compartidos, S.L.U., Prefabricaciones y Contratas, S.A.U., Promotora Mediterránea-2, S.A., Propamsa, S.A.U., Monsó-Boneta, S.L. and Pronatur Energy 2011, S.L.U. Consequently, the consolidated corporate income tax expense includes the benefits arising from the use of tax loss and deductions pending application that would not have been recognised had the companies that make up the aforementioned tax group filed individual tax returns.

v) Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing diluted net profit attributable to the Parent Company by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of effective ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of the Parent Company. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

In the case of the Cementos Molins Group, the weighted average number of shares is not diluted since there are no additional equity instruments.

w) Foreign currency transactions

The Group's functional currency is the euro. Balances in foreign currencies are translated to euros in two consecutive phases:

- Translation of foreign currencies to the subsidiaries' functional currencies, and

- Translation to euros of balances held in the functional currencies of the subsidiaries whose functional currency is not the euro.

Transactions in foreign currencies by the consolidated companies are initially recognised in their respective financial statements at the equivalent value in their functional currencies based on the exchange rates prevailing at the date of the transaction. Subsequently, for the purposes of presentation in their separate financial statements, the consolidated companies translate the balances in foreign currencies to their functional currencies using the exchange rates prevailing at the balance sheet date.

The balances in the financial statements of consolidated companies whose functional currency is not the euro are translated to euros as follows:

- Assets and liabilities are translated by applying the exchange rates prevailing at the balance sheet date.

- Income, expenses and cash flows are translated at the average monthly exchange rates.

- Equity is translated at the historical exchange rates.

The financial balances held in euros by the companies included in the scope of consolidation whose functional currency is other than the euro do not have any impact on the consolidated profit and loss account due to exchange rate differences.

x) Transactions with related parties

The Group performs all its transactions with related parties at an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Parent Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

y) Environment

The Group companies generally classify the amounts used for the protection and enhancement of the environment as environmental expenses. However, the amounts relating to items added to fixtures, machinery and equipment used for this purpose are capitalised.

z) Consolidated statement of cash flows

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and equivalent financial assets, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Ordinary activities: the principal revenue-producing activities of the Group's business, as well as other activities that cannot be classified as investment or financing.

- Investment activities: those of acquisition, disposal or removal by other means of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

aa) Current/non-current classification

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

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

4. Changes in the scope of consolidation

Year 2017

Precon (Linyi) Construction Co., Ltd.

On 3 July 2017, the subsidiary Prefabricaciones y Contratas, S.A.U. reached an agreement with the minority partner Precon (Linyi) Construction Co., Ltd. (China), consisting of the delivery of 20% of its shares, being formally registered on 20 November 2017. After this transaction, the percentage of direct participation of Prefabricaciones y Contratas, S.A.U. in Precon (Linyi) Construction Co., Ltd. increased from 80% to 100%.

The total amount accumulated in "Net equity from minority shareholders" corresponding to Precon (Linyi) Construction Co., Ltd. was transferred to the heading "Reserves of consolidated companies" and to "Translation differences" (Note 3).

Year 2016

Catprecon, S.L.

On 18 January 2016, the company Catprecon, S.L. (Spain) was incorporated with a share capital of 50 thousand euros, in which the Group has a 67% equity holding through its subsidiary Prefabricaciones y Contratas, S.A.U. Its business purpose is the manufacturing of alveolar panels and of other prefabricated concrete elements.

Santa Pamela, S.A.U.

On 28 December 2016, the subsidiary Cementos Avellaneda, S.A. acquired all the shares of Santa Pamela, S.A., the principal activity of which is the manufacture, preparation, processing and/or manufacturing of products and by-products of cement and related products, for USD 5,950 thousand. This is a dormant company and its main asset is a quarry located in the province of Mendoza in Argentina.

Pronatur Energy 2011, S.L.

On 22 November 2016, the subsidiary Promotora Mediterránea-2, S.A. acquired from Saica Natur, S.L. half of its ownership interest in Pronatur Energy 2011, S.L., which engages in the recovery of waste, for 677 thousand euros. By means of this transaction, Promotora Mediterránea-2, S.A. increased its ownership interest in this company from 50% to 100% of the share capital.

5. Risk management

The Group is exposed to various financial market risks that arise as a result of its ordinary business, of the borrowings arranged to finance its operations and its investments in companies. The Group's geographical diversification helps to partly offset these risks.

Specifically, the main market risks affecting the Group companies are:

1) Foreign currency risk:

Foreign currency risk arises mainly due to:

(i) the international presence of the Cementos Molins Group, which has investments and businesses in countries with currencies other than the euro: Mexico, Argentina, Uruguay, Bolivia, Colombia, Bangladesh, India, China and Tunisia. The balance sheet risk of these investments is not hedged since it is considered that the earnings performance thereof amply offsets any possible depreciation of these countries' currencies. Over the last 5 years, profits in foreign currency contributed by the subsidiaries have totalled 378 million euros and negative translation differences have amounted to 129 million euros.

The sensitivity of the Group's consolidated net result and equity to changes in the exchange rates prevailing at 31 December 2017 and 2016 is as follows:

	(in millions of euros)			
	2017		**2016**	
	+10%	**-10%**	**+10%**	**-10%**
Effect on net profit	(9.16)	11.31	(8.48)	10.36
Effect on equity	(41.68)	50.94	(44.81)	54.77

(ii) for debt or cash in currencies other than those of the various countries where the Group carries on its business or of the countries where the companies that have incurred the debt are based.

In those countries in which borrowings have been arranged, any potential loss in the value of the cash flows generated by the businesses in these currencies (caused by the depreciation of the related currency against the euro) is mitigated, at least partially, with savings arising from the decrease in the euro value of debt denominated in foreign currency. This is the case of the investments we have in Tunisia (where the Group has a debt in local currency that represents 27.34% of the Group's total gross debt and 100% of the debts incurred in that country).

For those countries in which the Group holds surplus positions, any potential loss in the value of the cash flows generated by the businesses in these currencies (caused by the depreciation of the related currency against the euro) is mitigated (at least partially), with gains from holding euro or US dollar positions which in certain cases are also invested in non-resident accounts overseas in these currencies to try to avoid the country risk component.

This is the case of Argentina, where the Group holds cash in US dollars and euros, which represent 65.80% of the total cash held in the investee.

2) Interest rate risk:

In the first half of 2009, the Group obtained new loans to finance its investments and, therefore, it prepared a financial risk management policy to hedge, basically, its exposure to interest rates.

The hedging instruments arranged by the Group, floating-to-fixed interest rate swaps, are perfectly aligned with the hedged items (all bank borrowings) in terms of nominal amount, repayment terms and accrual of interest.

12.60% of gross debt bears a fixed-interest rate. Of this 12.60%, 4.08% is arranged through interest rate swaps and the other 8.52% through financing contracts with an established fixed-interest rate.

The impact of a change in interest rates is low due to the Group's consolidated balance sheet and consolidated statement of profit or loss structure. Therefore, an increase of 100 basis points in the interest rate would give rise to a reduction in net profit of 1.5 million euros.

3) Liquidity risk

At 31 December 2017, the gross debts maturing in 2018 amounted to 73,860 thousand euros, which are lower than the available funds, measured as the sum of: a) cash and cash equivalents that, at 2017 year-end, amounted to 170,790 thousand and current financial assets at 31 December 2017 amounting to 800 thousand euros; b) the long-term deposits of 151 thousand euros; and c) the undrawn credit facilities arranged with banks with initial maturities of more than one year (amounting to 68,372 thousand euros) and those maturing in 2018 (amounting to 26,478 thousand euros).

At 31 December 2016, the gross debt maturing in 2017 amounted to 58,379 thousand euros, which were lower than the available funds, measured as the sum of: a) cash and cash equivalents, that at 2016 year-end, amounted to 78,455 thousand euros and short-term financial investments that, at 31 December 2016, amounted to 82,543 thousand euros; b) long-term deposits amounting to 202 thousands euros; c) the undrawn credit facilities arranged with banks with initial maturities of more than one year (118,151 thousand euros) and those maturing in 2017 (27,683 thousand euros).

4) Credit risk

The Group's borrowings are arranged with banks with high credit ratings.

With respect to the credit risk of cash and cash equivalent items, the Group mainly places its cash surpluses in fixed-term investments and current accounts.

As regards the subsidiaries, the management of Cementos Molins, S.A. supervises and monitors the investments made outside the country of origin of the subsidiary (the policy of which is established by the Board of Directors of each subsidiary in which Cementos Molins, S.A. is duly represented).

Note 21.a “Non-current financial debts" details the hedging instruments arranged by the Group, as well as their fair value.

At 31 December 2017 and 2016, the Group did not have any arranged any speculative derivative financial instruments.

With respect to the credit risk of the Group's customers, the Group is exposed to delays in collections and doubtful debts.

The Group pays particular attention to the management of loans granted and the monitoring thereof. This is regarded as a cornerstone for the Group's growth.

Every customer has a maximum credit limit that it can assume based on external reports, internal assessments or credit rating agencies.

The Risk Committees of the various Group companies analyse the credit limits granted and their performance. Also, the situation of customers is monitored by the Board of Directors of each company.

At 31 December 2017 and 2016, there was no significant unhedged or unguaranteed credit risk concentration. The Group's net provisions to the credit loss allowance in 2017 and 2016 amounted to (0.3) and 0.8 million euros respectively (Note 15).

At 31 December 2017 and 2016, the balance of past-due amounts for which provisions had not been recorded amounted to 14.1 million euros and 13.0 million euros respectively, with the following maturity periods:

	2017		2016	
	Million euros	**% over Total**	**Million euros**	**% over Total**
Less than 30 days	8.80	62%	6.43	49%
Between 30 and 60 days	1.42	10%	2.08	16%
Between 60 and 90 days	1.38	10%	0.53	4%
More than 90 days	2.5	18%	3.98	31%
Total	**14.10**	**100%**	**13.02**	**100%**

At 31 December 2017, past-due amounts in Spain totalled 4.7 million euros. Credit insurance and other guarantees ensure the collection of 67% of the past-due amounts. The past-due debt of the foreign companies do not give rise to collection risks. The provision to credit loss allowances for 2017 for all foreign companies amounted to 0.33% of sales. At 31 December 2016, past-due amounts in Spain totalled 4.4 million euros. Credit insurance and other guarantees ensured the collection of 65% of the past-due amounts. The provision to credit loss allowances for 2016 for all foreign companies represented 0.44% of sales.

6. Financial information by segments and joint businesses

a. Geographical segments

The Cementos Molins Group has determined that the primary format of its segments is based on geographical areas, since it considers that the Group's risks and returns are affected predominantly by the fact that it operates in several countries. As a result, the information obtained by business segment is presented on a secondary basis. The geographical segments identified by the Group are as follows:

Spain, Argentina, Tunisia, China, Mexico, Uruguay, Bolivia, Colombia and Bangladesh.

The detail, by geographical segment, of certain items in the Group's consolidated statement of profit and loss in 2017 and 2016 is as follows:

(in thousands of euros)

31 December 2017	Geographical segment									
	Spain	**Argentina**	**Tunisia**	**China**	**Mexico**	**Uruguay**	**Bangladesh**	**Bolivia**	**Colombia**	**Total**
Turnover	229,880	344,457	71,283	-	-	-	-	-	-	645,620
Other income	11,818	7	513	6	-	-	-	-	-	12,344
Total income	**241,698**	**344,464**	**71,796**	**6**	-	-	-	-	-	**657,964**
Operating expenses	(227,842)	(259,404)	(59,823)	(97)	-	-	-	-	-	(547,166)
Amortisations	(15,800)	(8,580)	(9,582)	(361)	-	-	-	-	-	(34,323)
Gains or losses on impairment and s	(2,770)	25	3	-	-	-	-	-	-	(2,742)
Other results	11	-	-	(437)	-	-	-	-	-	(426)
Operating result	**(4,703)**	**76,505**	**2,394**	**(889)**	-	-	-	-	-	**73,307**
Financial results										(5,778)
Stakes in associated companies	(75)	-	-	-	73,384	5,303	2,175	(2,075)	(63)	78,649
Profits before taxes										**146,178**
Tax on profit										(32,747)
Stakes External Partners										(24,353)
Results after taxes										**89,078**

(in thousands of euros)										
31 December 2016	**Geographical segment**									
	Spain	**Argentina**	**Tunisia**	**China**	**Mexico**	**Uruguay**	**Bangladesh**	**Bolivia**	**Colombia**	**Total**
Turnover	202,462	279,575	79,167	-	-	-	-	-	-	561,204
Other income	9,465	9	488	-	-	-	-	-	-	9,962
Total income	**211,927**	**279,584**	**79,655**	-	-	-	-	-	-	**571,166**
Operating expenses	(200,221)	(220,119)	(63,656)	(904)	-	-	-	-	-	(484,900)
Amortisations	(16,380)	(8,082)	(15,260)	(394)	-	-	-	-	-	(40,116)
Gains or losses on impairment and s	(2,711)	292	5	-	-	-	-	-	-	(2,414)
Other results	(563)	-	16	-	-	-	-	-	-	(547)
Operating result	**(7,948)**	**51,675**	**760**	**(1,298)**	-	-	-	-	-	**43,189**
Financial results										(5,979)
Stakes in associated companies	(223)	-	-	-	64,690	4,936	7,117	337	776	77,633
Profits before taxes										**114,843**
Tax on profit										(34,182)
Stakes External Partners										(16,792)
Results after taxes										**63,869**

The detail, by geographical segment, of certain items in the consolidated balance sheet at the end of 2017 and 2016 is as follows:

(in thousands of euros)										
31 December 2017	**Geographical segment**									
	Spain	**Argentina**	**Tunisia**	**China**	**Mexico**	**Uruguay**	**Bolivia**	**Colombia**	**Bangladesh**	**Total**
ASSETS										
Non-current assets	285,342	108,885	134,830	849	146,710	61,397	30,368	63,000	44,256	875,637
Current assets	233,373	128,712	32,584	744	-	-	-	-	-	395,413
Total consolidated assets	**518,715**	**237,597**	**167,414**	**1,593**	**146,710**	**61,397**	**30,368**	**63,000**	**44,256**	**1,271,050**
EQUITY AND LIABILITIES										
Total net equity	647,096	91,728	(74,592)	(8,095)	67,717	635	(892)	(4,052)	6,623	726,168
Non-current liabilities	217,905	7,867	91,299	834	-	-	-	-	-	317,905
Current liabilities	121,613	75,942	23,772	5,650	-	-	-	-	-	226,977
Total consolidated equity and liabilities	**986,614**	**175,537**	**40,479**	**(1,611)**	**67,717**	**635**	**(892)**	**(4,052)**	**6,623**	**1,271,050**

(in thousands of euros)										
31 December 2016	**Geographical segment**									
	Spain	**Argentina**	**Tunisia**	**China**	**Mexico**	**Uruguay**	**Bolivia**	**Colombia**	**Bangladesh**	**Total**
ASSETS										
Non-current assets	300,614	111,680	181,730	1,286	154,266	65,485	36,639	46,270	53,333	951,303
Current assets	198,224	118,175	42,684	813	-	-	-	-	-	359,896
Total consolidated assets	**498,838**	**229,855**	**224,414**	**2,099**	**154,266**	**65,485**	**36,639**	**46,270**	**53,333**	**1,311,199**
EQUITY AND LIABILITIES										
Total net equity	597,932	97,722	(51,915)	(6,509)	61,574	2,533	5,376	2,680	15,857	725,250
Non-current liabilities	252,241	12,613	122,237	889	-	-	-	-	-	387,980
Current liabilities	100,912	65,384	27,158	4,515	-	-	-	-	-	197,969
Total consolidated equity and l	**951,085**	**175,719**	**97,480**	**(1,105)**	**61,574**	**2,533**	**5,376**	**2,680**	**15,857**	**1,311,199**

The foreign geographical segments corresponding to Tunisia, Argentina and China are consolidated by the global integration method.

Also, the foreign geographical segments accounted for using the equity method are Mexico, Uruguay, Bangladesh, Bolivia and Colombia.

b. Business segments

Basis and methodology for geographical segment reporting

The segment's total revenue consists of revenue directly attributable to the segment.

Segment assets are those directly related to the segment's operating activities.

The detail of revenue by the business segments in which the Group operates is as follows:

		(in thousands of euros)
Business segment	**2017**	**2016**
Cement	403,849	354,165
Concrete and Aggregate	106,017	83,603
Prefabricate	69,853	62,975
Tile Cements and Mortars	66,526	59,618
Other	27,064	21,871
Total aggregate turnover	**673,309**	**582,232**
Intragroup sales	**(27,689)**	**(21,028)**
Total	**645,620**	**561,204**

The analysis by business segment of the items of property, plant and equipment and intangible assets is as follows:

		(in thousands of euros)
Business segment	**31/12/2017**	**31/12/2016**
Cement	390,928	449,609
Concrete and Aggregate	15,015	16,238
Prefabricate	32,660	35,191
Tile Cements and Mortars	14,225	14,617
Other	14,946	15,393
Total	**467,774**	**531,048**

7. Goodwill on consolidation

The balance included in "Goodwill on Consolidation", broken down according to the companies giving rise to it, is as follows:

	(in thousands of euros)	
	31/12/2017	**31/12/2016**
Depending entities:		
Cementos Avellaneda, S.A.	586	904
Monsó-Boneta, S.L.	443	443
Cementos Molins Industrial, S.L.U.	21,797	21,797
Total	**22,826**	**23,144**

The net changes in the consolidated balance sheet were as follows:

	(in thousands of euros)	
	2017	**2016**
Initial balance	23,144	23,372
Additions resulting from new acquisitions	-	-
Exchange differences	(318)	(228)
Impairment	-	-
Final balance	**22,826**	**23,144**

As shown in Note 3.d, the Group assesses at the end of the financial year if any of the recorded goodwill shows impairment losses on the basis of the calculation of the value in use of the cash-generating unit, or the market value (price of similar transactions in the market) if this is higher.

The following has been carried out to determine the current value of the future cash flows resulting from the investments:

- The term in which it is estimated that the relevant investment will generate flows has been determined (in most cases, a non-finite time period).

- As a first step in the preparation of the projections of income and expenditure, the Group has compared, among other aspects, the evolution of the most significant variables included in the impairment test for the financial year 2016, as well as the fulfilment of the key assumptions of the aforementioned test, with the results obtained in this financial year 2017, to assess the possible deviations, if any.

- The necessary income and expenses projections have been carried out, based on the following general criteria:

    - As for the income, the future estimates of the Group's Management have been taken into account to estimate the evolution of the production.

    - Regarding sales prices, its evolution has been estimated by the Group's Management based on their knowledge of the market related to the geographical area over which the CGU has influence.

    - As for the expenses, their evolution has been considered based on the expected progress of the corresponding CPI, as well as based on the projected evolution of the activity and the production optimisation plans implemented in order to stabilise or even improve the technical production rations in the facility.

    - Likewise, the impact of the projects to be carried out for the maintenance and improvement of the facilities has been taken into account by using the best available estimates based on the Group's experience and taking into account the projected evolution of the activity.

- The cash projections obtained from the income and expense projections carried out based on the criteria previously stated have been updated at the discount rate resulting from adding the market risk premium for the country where the activities are undertaken, the market risk premium assigned to the business and the financial structure of the relevant CGU's target market to the long-term risk-free cost of money.

Spain – Cement CGU

In particular, the main key assumptions used in the test were as follows:

- Discounted cash flow period: 2018-2022
- Discount rate (WACC): 6.3%
- Perpetual growth rate: 2%

Production volume and sales

Our cement sales increased by 14% during 2017. Our sales are expected to increase by an annual 5% between 2018 and 2022.

Selling prices and costs

In 2017, the cement average selling prices have increased slightly above inflation, situation that is expected to maintain the same rhythm of growth in the next financial years.

In connection with the impairment test of the cash-generating unit for cement in Spain, Cementos Molins Industrial, S.A.U., the recoverable value that is obtained from it exceeds the value of the respective goodwill. In this sense, the implementation of changes in the assumptions used in these calculations does not show a significant impairment risk. In this respect, the use of a discount rate 1.5% higher than the current one has been taken into account, as well as the reduction of 30% of the projected free cash flows in the period in which, in no case, is the need for registration of a impairment on the assets seen.

8. Intangible assets

The changes that took place in the main intangible asset accounts and in their related accumulated amortisations in 2017 and 2016 were as follows:

(in thousands of euros)

Account	Balance 01/01/2017	Differences of translation	Variation of perimeter	Additions or allowances	Increase (decrease) due to transfer of another account	Withdrawals or reductions	Balance 31/12/2017
Development	**1,845**						**1,100**
Cost	5,335	(215)	-	47	3	-	5,170
Accumulated amortisation	(3,490)	158	-	(738)	-	-	(4,070)
Administrative concessions	**4,505**						**4,180**
Cost	8,957	-	-	-	-	-	8,957
Accumulated amortisation	(4,164)	-	-	(37)	-	-	(4,201)
Impairment	(288)	-	-	-	(288)	-	(576)
Industrial property	**55**						**52**
Cost	9,603	(1,853)	-	-	-	-	7,750
Accumulated amortisation	(829)	-	-	(3)	-	-	(832)
Impairment	(8,719)	1,853	-	-	-	-	(6,866)
Goodwill	**1,540**						**1,447**
Cost	1,540	(93)	-	-	-	-	1,447
Leasehold assignment rights	-						-
Cost	8	-	-	-	-	-	8
Accumulated amortisation	(8)	-	-	-	-	-	(8)
IT applications	**3,032**						**3,143**
Cost	9,582	(867)	-	870	475	-	10,061
Accumulated amortisation	(6,550)	545	-	(913)	-	-	(6,918)
Other intangible assets	**18,545**						**18,035**
Cost	20,654	(211)	-	6,399	(475)	(6,583)	19,784
Accumulated amortisation	(347)	8	-	(45)	-	-	(384)
Impairment	(1,762)	109		-	288	-	(1,365)
Total	**29,522**						**27,957**
Cost	**55,679**	**(3,238)**	**-**	**7,316**	**3**	**(6,583)**	**53,177**
Accumulated amortisation	**(15,388)**	**711**	**-**	**(1,736)**	**-**	**-**	**(16,413)**
Impairment	**(10,769)**	**1,962**	**-**	**-**	**-**	**-**	**(8,807)**

(in thousands of euros)						
Account	**Balance 01/01/16**	**Differences of translation**	**Additions or allowances**	**Increase (decrease) due to transfer of another account**	**Withdrawals or reductions**	**Balance 31/12/16**
Development	**2,112**					**1,845**
Cost	4,952	(132)	339	176	-	5,335
Accumulated amortisation	(2,840)	66	(716)	-	-	(3,490)
Administrative concessions	**5,034**					**4,505**
Cost	8,957	-	-	-	-	8,957
Accumulated amortisation	(3,635)	-	(529)	-	-	(4,164)
Impairment	(288)	-	-	-	-	(288)
Industrial property	**58**					**55**
Cost	10,102	(499)	-	-	-	9,603
Accumulated amortisation	(826)	(3)	-	-	-	(829)
Impairment	(9,218)	499	-	-	-	(8,719)
Goodwill	**1,250**					**1,540**
Cost	1,250	(16)	306	-	-	1,540
Accumulated amortisation	-	-	-	-	-	-
Leasehold assignment rights	-					-
Cost	8	-	-	-	-	8
Accumulated amortisation	(8)	-	-	-	-	(8)
IT applications	**1,810**					**3,032**
Cost	7,767	(402)	800	1,417	-	9,582
Accumulated amortisation	(5,957)	190	(783)	-	-	(6,550)
Other intangible assets	**17,364**					**18,545**
Cost	19,493	(84)	7,746	(1,773)	(4,728)	20,654
Accumulated amortisation	(302)	5	(50)	-	-	(347)
Impairment	(1,827)	65	-	-	-	(1,762)
Total	**27,628**					**29,522**
Cost	**52,529**	**(1,133)**	**9,191**	**(180)**	**(4,728)**	**55,679**
Accumulated amortisation	**(13,568)**	**258**	**(2,078)**	**-**	**-**	**(15,388)**
Impairment	**(11,333)**	**564**	**-**	**-**	**-**	**(10,769)**

“Other Intangible Assets” includes "Greenhouse Gas Emission Allowances" (see Note 29).

The fully amortised intangible asset items amounted to 11,422 thousand euros and 10,987 thousand euros respectively in 2017 and 2016.

At 31 December 2017 and 2016, all the Group's intangible assets, except goodwill, had a finite useful life and there were no assets subject to ownership restrictions or pledged to secure liabilities.

9. Property, plant and equipment

The changes that took place in the property, plant and equipment accounts and in the related accumulated depreciation in 2017 and 2016 were as follows:

							(in thousands of euros)
Account	**Balance 01/01/17**	**Variation of perimeter**	**Differences of translation**	**Additions or allowances**	**Increase (decrease) due to transfer of another account**	**Withdrawals or reductions**	**Balance 31/12/17**
Land and buildings	**148,789**						**146,815**
Cost	219,310	-	(25,326)	803	18,187	(162)	212,812
Accumulated amortisation	(51,137)	-	5,305	(4,190)	1,584	75	(48,363)
Impairment	(19,384)	-	3,353	(1,603)	-	-	(17,634)
Technical inst. and machinery	**272,789**						**216,785**
Cost	640,734	-	(77,901)	4,346	3,421	(607)	569,993
Accumulated amortisation	(356,420)	-	37,285	(22,605)	(1,584)	1,031	(342,293)
Impairment	(11,525)	-	1,722	(1,061)	-	(51)	(10,915)
Other fixtures, tools and furniture	**44,608**						**39,562**
Cost	113,379	-	(4,618)	2,007	1,196	(315)	111,649
Accumulated amortisation	(68,771)	-	1,118	(4,442)	-	106	(71,989)
Impairment	-	-	-	(24)	-	(74)	(98)
Other items of property, plant and	**3,946**						**3,619**
Cost	22,222	-	(1,932)	1,460	90	(66)	21,774
Accumulated amortisation	(18,088)	-	1,393	(1,308)	-	42	(17,961)
Impairment	(188)	-	35	(41)	-	-	(194)
Property, plant and equipment in tl	**31,394**						**33,036**
Cost	31,394	-	(5,564)	30,392	(22,897)	(289)	33,036
Total	**501,526**						**439,817**
Cost	**1,027,039**	**-**	**(115,341)**	**39,008**	**(3)**	**(1,439)**	**949,264**
Accumulated amortisation	**(494,416)**	**-**	**45,101**	**(32,545)**	**-**	**1,254**	**(480,606)**
Impairment	**(31,097)**	**-**	**5,110**	**(2,729)**	**-**	**(125)**	**(28,841)**

(in thousands of euros)							
Account	**Balance 01/01/16**	**Variation of perimeter**	**Differences of translation**	**Additions or allowances**	**Increase (decrease) due to transfer of another account**	**Withdrawals or reductions**	**Balance 31/12/16**
Land and buildings	**149.531**						**148.789**
Cost	219.129	7.900	(6.947)	213	1.274	(2.259)	219.310
Accumulated amortisation	(49.825)	-	1.806	(3.507)	190	199	(51.137)
Impairment	(19.773)	-	936	(152)	(1.598)	1.203	(19.384)
Technical inst. and machinery	**301.815**						**272.789**
Cost	654.527	3.502	(30.813)	3.500	10.510	(492)	640.734
Accumulated amortisation	(340.618)	(1.001)	13.904	(28.450)	(540)	285	(356.420)
Impairment	(12.094)	-	473	(1.543)	1.626	13	(11.525)
Other fixtures, tools and furniture	**46.531**						**44.608**
Cost	111.455	855	(2.049)	1.674	1.863	(419)	113.379
Accumulated amortisation	(64.924)	(212)	452	(4.549)	291	171	(68.771)
Impairment	-	-	-	-	-	-	-
Other items of property, plant and	**4.020**						**3.946**
Cost	22.226	4	(694)	1.370	181	(865)	22.222
Accumulated amortisation	(18.031)	(3)	497	(1.471)	59	861	(18.088)
Impairment	(175)	-	9	-	(28)	6	(188)
Property, plant and equipment in th	**34.730**						**31.394**
Cost	34.730	-	(5.145)	15.460	(13.648)	(3)	31.394
Total	**536.627**						**501.526**
Cost	**1.042.067**	**12.261**	**(45.648)**	**22.217**	**180**	**(4.038)**	**1.027.039**
Accumulated amortisation	**(473.398)**	**(1.216)**	**16.659**	**(37.977)**	**-**	**1.516**	**(494.416)**
Impairment	**(32.042)**	**-**	**1.418**	**(1.695)**	**-**	**1.222**	**(31.097)**

At 2017 and 2016 year-end, "Land and Buildings" included 59,579 thousand euros and 52,726 thousand euros respectively corresponding to “Land”. The increase in “Land” during the financial year 2017 corresponds, mainly, to the transfer, from “Property, plant and equipment in the course of construction and advances”, of the pre-payment made to acquire a quarry in Buenos Aires (Argentina).

In 2017, the main Group’s investments consisted of the clay activation project in Olavarría (Argentina), the project to increase the capacity of the plant that the Group has in San Luis (Argentina), the facility to store and dose disused tyres to be used in the precalciner tower of the plant in Sant Vicenç dels Horts (Spain), as well as those investments related with the maintenance of the production facilities of the other facilities belonging to the Group where operations are carried out.

In 2016, the main Group’s investments consisted of the acquisition of a quarry in Mendoza (Argentina), the commencement of the clay activation project in Olavarría (Argentina), the installation of alternative fuel facilities in Kairouan (Tunisia), as well as those related with the maintenance of the production facilities of the other facilities belonging to the Group where operations are carried out.

There were no capitalised borrowing costs in 2017 or 2016.

The items of property, plant and equipment depreciated in full totalled 194,446 thousand euros and 182,295 thousand euros in 2017 and 2016 respectively.

In 2017 and 2016, certain assets relating to the cement activity in Spain and amounting to 2,729 thousand euros and 1,695 thousand euros respectively were impaired since they were no longer in use.

The amount of the accumulated impairment loss at the end of the 2017 and 2016 financial years corresponds to productive assets according to the following breakdown by country:

(in thousands of euros)

	31/12/2017	31/12/2016
Tunisia	(18,487)	(23,475)
Spain	(8,669)	(5,825)
China	(1,685)	(1,797)
Total	**(28,841)**	**(31,097)**

The detail, by subgroup, of the translation differences included in property, plant and equipment for 2016 and 2015 is as follows:

(in thousands of euros)

	2017	2016
Cementos Avellaneda, S.A. (Argentina)	(29,650)	(17,133)
Sotacib (Tunisia)	(35,398)	(10,375)
Precon Linyi (China)	(82)	(63)
Total	**(65,130)**	**(27,571)**

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2017 and 2016 there was not any coverage deficit whatsoever with respect to these risks.

Forming part of the net balance at 31 December 2017 which includes the movement of the property, plant and equipment, should be highlighted:

- 206,464 thousand euros, mainly corresponding to production facilities related to the business in Spain.
- 102,446 thousand euros and 129,991 thousand euros corresponding to production facilities owned by Group companies based in Argentina and Tunisia, respectively.

The Administrators of the Parent Company assess, at the end of each financial year, if any of the assets shows impairment losses on the basis of the calculation of their value in use or market value if this is higher. The period in which it is estimated that the corresponding investment will generate cash flows has been determined (in most cases a non-finite time horizon) and the corresponding projections for income and expenditure have been made, to determine the actual value of the future cash flows resulting from the investments.

As for the items of property, plant and equipment owned by the Group and located in Tunisia, both cash generating units, Sotacib, S.A. and Sotacib Kairouan, S.A. were evaluated separately.

In particular, the main key assumptions used in the test were as follows:

- Discounted cash flow period: 2018-2022
- Discount rate (WACC): 12.8% (discount rate in local currency)
- Perpetual growth rate: 4% (differences in local inflation and the euro)

The key assumptions used for the cash flow projections are sales in tonnes both in the domestic market and in each of the export markets, selling prices and production costs (Note 3.i).

Sotacib, S.A.

In 2017, 47% of sales were made in the domestic market while 45% were export sales and 8% clinker sales (48% local cement market and 52% cement exports in 2016).

Production volume and sales:

In the financial year 2017, the sales volume of national cement has slightly dropped compared to the financial year 2016 and export has experienced operational difficulties in the markets of Libya and Algeria, which were partially offset by the entry into new markets both selling cement as well as clinker.

A certain recovery is expected in the future evolution of operations in the domestic cement market, with moderate price increases for the period analysed. In export markets, penetration plans continue to consolidate the entry into new markets, estimating a recovery of the volumes.

Selling price and costs:

In 2017, prices in the local market of cement have increased following slightly lower than inflation levels. The assumptions for future projections take into account increases in line with inflation. Export prices are in USD or Euro and evolve according to the inflation of those currencies, assumptions that have also been used for future projections. The latter has a positive impact to gain competitiveness in the face of recent and future expected devaluations of the Tunisian Dinar.

With regard to production costs, in the financial year 2017 these have increased compared to 2016, mainly due to the increase in energy and fuel, which we have partially mitigated with the significant improvement in the efficiency in our operations. However, increased costs are envisaged in the future, in line with the expected inflation rate.

Sotacib Kairouan, S.A.

In 2017, 87% of sales were made in the domestic market while 10% were export sales and 3% clinker sales (69% local cement market and 31% cement exports in 2016).

Production volume and sales:

In 2017, the sales volume in tonnes has remained stable with respect to 2016. We have strongly expanded our position in the domestic market at the expense of the export markets, basically to the neighbouring countries. All of this despite the forced closure of the factory from December 2016 to the beginning of February 2017 due to a series of labour disputes. The sales volume for the entire year 2017 would have increased had it not been for the effect of this event. As for the future projections, a small annual increase in the domestic market sales is estimated for 2018 and 2019, after which they will remain stable from 2020 to 2022. In the export market, Algeria is not considered for sales due to the import restrictions placed in this market.

Selling price and costs:

Sales prices in the local market in 2017 have fallen with regards to 2016, although a recovery is projected in the future in line with inflation. Export prices are in USD or Euro and evolve according to the inflation of those currencies, assumptions that have also been used for future projections. The latter has a positive impact to gain competitiveness in the face of recent and future expected devaluations of the Tunisian Dinar.

As for the costs, average future increases are envisaged in line with the inflation rate prevailing in the country.

In connection with the impairment test carried out on the cash generating units (CGU) of the Group in Tunisia, the recoverable value that is obtained from these exceeds the carrying amount of the property, plant and equipment at 31 December 2017. In this sense, the implementation of changes in the assumptions used in these calculations does not show a significant impairment risk. The recoverable amount of the assets associated to these CGU's will support a variation of 1% in the discount rate and a decrease of 10% of the projected free cash flows in the period without the need for registration of a impairment on the assets being seen under any circumstances.

10. <u>Investments carried out through the equity method</u>

The gross changes in 2017 and 2016 in "Investments carried out through the equity method" in the consolidated balance sheet were as follows:

Financial year 2017							(in thousands of euros)
	Initial balance	Results for the financial year	Dividends	Translation differences	Acquisitions	Other changes	**Final balance**
Promsa Group (Spain)	1,468	99	-	-	-	-	1,567
Portcemen (Spain)	1,291	30	-	-	-	-	1,321
Vescem (Spain)	40	(4)	-	-	-	-	36
Escofet Group (Spain and Mexico)	3,269	(295)	-	-	-	(37)	2,937
Moctezuma Group (Mexico)	154,229	73,479	(70,835)	(10,116)	-	11	146,768
Cementos Artigas Group (Uruguay)	65,485	5,303	(5,101)	(4,245)	-	(45)	61,397
LHB Group (Bangladesh and India)	53,333	2,175	(3,325)	(7,939)	-	12	44,256
Ecocementos and Iacol Agregados (Colombia)	46,270	(63)	-	(6,467)	23,464	(204)	63,000
Yacuces Group (Bolivia)	36,639	(2,075)	-	(4,264)	-	68	30,368
Totals	**362,024**	**78,649**	**(79,261)**	**(33,031)**	**23,464**	**(195)**	**351,650**

Financial year 2016							(in thousands of euros)
	Initial balance	Results for the financial year	Dividends	Translation differences	Acquisitions	Other changes	**Final balance**
Promsa Group (Spain)	2,320	-	(251)	-	75	(676)	1,468
Portcemen (España)	1,176	115	-	-	-	-	1,291
Portcemen (Spain)	41	(1)	-	-	-	-	40
Escofet Group (Spain)	3,570	(337)	-	-	-	(1)	3,232
Escofet Group (Mexico)	63	(26)	-	-	-	-	37
Moctezuma Group (Mexico)	168,368	64,716	(56,928)	(21,929)	-	2	154,229
Cementos Artigas Group (Uruguay)	57,703	4,936	(2,912)	6,143	-	(385)	65,485
Surma Group (Bangladesh and India)	48,319	7,117	(3,515)	1,519	-	(107)	53,333
Colombian Companies	4,521	776	-	1,639	39,334	-	46,270
Yacuces Group (Bolivia)	35,915	337	-	1,157	-	(770)	36,639
Totals	**321,996**	**77,633**	**(63,606)**	**(11,471)**	**39,409**	**(1,937)**	**362,024**

At 31 December 2017 and 2016, the only companies accounted for using the equity method that are officially listed were LafargeHolcim Bangladesh Ltd. and Corporación Moctezuma, S.A.B. de C.V.

The acquisitions included in the Colombian Companies in 2017 and 2016 correspond to the capital increases at Ecocementos and Iacol Agregados.

The effective percentages of ownership of the companies accounted for using the equity method described above are included in Appendix II.

The detail of the main aggregates of these associates of the Group is as follows (in thousands of euros):

	Moctezuma Group (Mexico)	Cementos Artigas Group (Uruguay)	LHB Group (Bangladesh and India)	Yacuces Group (Bolivia)	Ecocementos and Iacol Agregados (Colombia)	Remainder companies
31/12/2017						
Non-current assets	314,068	60,838	127,904	170,982	122,567	6,927
Current assets	333,112	38,815	89,462	20,246	5,285	13,628
Cash and equivalents	143,984	9,864	35,730	4,443	3,655	6,428
Non-current Liabilities	(39,552)	(5,481)	(21,235)	(102,953)	853	(1,904)
Non-current financial liabilities	(664)	(100)	-	(102,034)	924	(992)
Current Liabilities	(167,195)	(13,454)	(45,885)	(9,092)	(2,706)	(5,053)
Current financial liabilities	(519)	-	(6,117)	-	-	(430)
Financial year 2017						
Turnover	696,484	79,801	116,346	56,274	-	16,293
Amortisations	(27,101)	(5,216)	(7,212)	(8,472)	(39)	(993)
Financial income	17,120	446	1,235	632	1,834	114
Financial expenses	(15,366)	(221)	(135)	(6,763)	(952)	(179)
Tax on profit	(84,594)	(1,420)	(6,884)	(918)	25	70
Period result	220,450	11,064	7,989	(6,225)	246	(734)

	Moctezuma Group (Mexico)	Cementos Artigas Group (Uruguay)	LHB Group (Bangladesh and India)	Yacuces Group (Bolivia)	Ecocementos y Iacol Agregados (Colombia)	Remainder companies
31/12/2016						
Non-current assets	340,249	69,134	153,668	160,949	101,748	7,509
Current assets	249,651	41,676	99,335	70,903	5,757	14,649
Cash and equivalents	151,033	6,319	44,212	24,149	5,729	4,693
Non-current Liabilities	(46,578)	(6,905)	(26,011)	(115,659)	-	(1,733)
Non-current financial liabilities	(881)	(122)	-	(115,659)	-	(844)
Current Liabilities	(78,534)	(14,854)	(45,924)	(19,897)	(14,867)	(5,999)
Current financial liabilities	(533)	-	(6,836)	-	-	(604)
Financial year 2016						
Turnover	611,741	74,822	123,943	31,094	-	16,925
Amortisations	(24,880)	(5,552)	(7,284)	(504)	(2)	(906)
Financial income	18,160	617	1,557	724	2,338	68
Financial expenses	(6,851)	(137)	(671)	(141)	(335)	(129)
Tax on profit	(76,451)	728	(9,119)	27	7	(27)
Period result	195,954	10,039	24,779	1,259	1,733	(586)

The foregoing aggregates relate to the separate financial statements of the individual companies and do not include the consolidation adjustments, except for those relating to the business combinations that took place in Cementos Artigas in 2010 and 2012.

11. Investment property

The net balances of investment property at 31 December 2017 and 2016 were as follows:

	(in thousands of euros)	
	31/12/2017	**31/12/2016**
Land	3,197	3,460
Buildings	294	79
Total	**3,491**	**3,539**

Investment Property in the consolidated balance sheet includes the value of land, buildings and other structures held either to earn rentals or for capital appreciation.

These assets are measured as indicated in the note on "Property, Plant and Equipment" (Note 3.e).

No disposals of these properties are planned for the short term.

The provision for amortisation recognised under "Amortisations" in the accompanying consolidated statement of profit or loss for 2017 and 2016 amounts to 34 thousand euros and 40 thousand euros respectively.

In 2016, an impairment of 1,416 thousand euros was recognised on the assets owned by Prefabricaciones y Contratas, S.A.U. (Note 26).

12. Financial fixed assets, short-term financial investments, cash and cash equivalents

The changes registered in 2017 and 2016 in the different "Financial Fixed Assets" and "Short-term Financial Assets" accounts on the asset side of the accompanying consolidated balance sheet, as well as in their related allowances were as follows:

a) Financial fixed assets

						(in thousands of euros)
Financial year 2017	**Initial balance**	**Variation of perimeter**	**Translation differences**	**Increases**	**Decreases**	**Final balance**
Other companies	**182**					**162**
Cost	647	-	(19)	3	(8)	623
Provision	(465)	-	4	-	-	(461)
Of fixed income	453	-	(113)	-	-	340
Other financial fixed assets	913	-	(445)	4,513	(229)	4,752
Total	**1,548**	**-**	**(573)**	**4,516**	**(237)**	**5,254**

						(in thousands of euros)
Financial year 2016	**Initial balance**	**Variation of perimeter**	**Translation differences**	**Increases**	**Decreases**	**Final balance**
Other companies	**174**					**182**
Cost	651	-	(4)	-	-	647
Provision	(477)	-	12	-	-	(465)
Of fixed income	5	-	(6)	454	-	453
Other financial fixed assets	3,385	(977)	(53)	528	(1,970)	913
Total	**3,564**	**(977)**	**(51)**	**982**	**(1,970)**	**1,548**

In the financial year 2017, the increases in the heading "Other financial fixed assets" basically correspond to a financial advance granted in connection with the project to increase the capacity of the plant in San Luis (Argentina) (Note 30.a).

In 2016, an impairment loss was recognised for uncollectable receivables of the value of the loans granted by the subsidiary Prefabricaciones y Contratas, S.A.U. to the company SH China, Ltd. amounting to 635 thousand euros. These impairment losses are recognised under "Financial Result" in the consolidated statement of profit or loss (see Note 27).

b) Temporary financial investments

At 31 December 2017, they consist mainly of short-term guarantee deposits and dividends receivable.

At 31 December 2016, they comprised mainly ten fixed-term deposits made by the Spanish subsidiaries at three banks for 81,000 thousand euros, which matured between February and August 2017 and which have not been renewed after maturity.

c) Cash and equivalents

At 31 December 2017, the cash balance was 149,831 thousand euros, while that of cash equivalents amounted to 20,959 thousand euros. The latter relates mainly to deposits maturing within three months. 63.18% of cash and cash equivalents relate to the Spanish companies, 29.80% to the subsidiary in Argentina and the remainder to the companies in Tunisia and China. Of the total, 64.08% is in euros, 19.13% in US dollars, 10.18% in Argentinian pesos and, lastly, 6.60% in Tunisian dinars.

At 31 December 2016, the cash balance was 71,616 thousand euros, while that of cash equivalents amounted to 6,839 thousand euros. The latter related mainly to deposits maturing within three months. 13.52% of cash and cash equivalents related to the Spanish companies, 66.30% to the subsidiary in Argentina and the remainder to the companies in Tunisia and China. Of the total, 49.72% was in US dollars, 20.17% in Tunisian dinars, 17.96% in Argentinian pesos and, lastly, 12.13% in euros.

13. Non-current assets classified as held for sale

At 31 December 2017 and 2016, the Group did not have any assets recognised under "Non-Current Assets Classified as Held for Sale".

14. Stocks

The detail of inventories at 31 December 2017 and 2016 is as follows:

	(in thousands of euros)	
	31/12/2017	**31/12/2016**
Raw materials and auxiliary products	20,616	25,797
Fuels	7,144	8,000
Spare parts	21,984	25,138
Finished products and in-process product	26,794	24,378
Other	2,328	1,594
Total	**78,866**	**84,907**

There are no material amounts of inventories whose acquisition cost is lower than their net realisable value, or inventory sale and purchase commitments of a significant amount.

The Group takes out insurance policies to cover the possible risks to which its inventories are subject. At the end of 2017 and 2016 there was not any coverage deficit whatsoever with respect to these risks.

15. Trade and other receivables

The detail of "Trade and Other Receivables" under current assets in the accompanying consolidated balance sheet as of 31 December 2017 and 2016 is as follows:

	(in thousands of euros)	
	31/12/2017	**31/12/2016**
Trade receivables for sales and services	124,341	110,963
Current tax assets (Note 23)	28,222	12,194
Other receivables	4,810	5,480
Impairment	(12,416)	(14,646)
Total	**144,957**	**113,991**

The changes in “Impairment" of credits from commercial operations in 2017 and 2016 were as follows:

(in thousands of euros)		
	2017	**2016**
Balance as of January 1	**(14,646)**	**(14,517)**
Variation of the limits	-	-
Provisions and additions	(479)	(1,370)
Applications	783	541
Cancellations	1,536	521
Translation differences	390	179
Balance as of January 31	**(12,416)**	**(14,646)**

16. Equity of the Parent Company

a) Share capital

As of 31 December 2017 and 2016, the share capital of Cementos Molins, S.A. consisted of 66,115,670 fully subscribed and paid bearer shares of EUR 0.30 par value each.

At the end of the financial years 2017 and 2016, shareholding companies of the Parent Company with a subscribed capital equal to or greater than 10%, were:

	31/12/2017	31/12/2016
Otinix, S.L.	32.968%	32.968%
Noumea, S.A.	32.068%	32.101%
Cartera de Inversiones C.M., S.A.	24.038%	24.038%

A part of the shares mentioned above are syndicated by virtue of the Vote and Shares Syndication Agreement signed on 17 December 2015, by the syndicated shareholders of Cementos Molins, S.A. This agreement has been published in full on the websites of the CNMV and Cementos Molins Group. The significant shareholders intervening in the agreement, and their corresponding participation in said agreement, is the following:

Intervening parties in the shareholders' agreement	% of the Affected Share Capital
Otinix, S.L.	32.968%
Noumea, S.A.	23.441%
Cartera de Inversiones C.M., S.A.	24.038%

All of Cementos Molins, S.A.'s shares are listed on the Barcelona Stock Exchange.

b) 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, amounting to 3,967 thousand euros at 31 December 2017, can be used to increase capital by the amount exceeding 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.

As of 31 December 2017, said reserves is fully constituted.

c) Share premium

The balance of the "Share Premium" account of the Parent Company arose as a consequence of the share capital increases carried out at Cementos Molins, S.A. between 31 July 1950 and 30 December 1968.

The Consolidated Spanish Limited Liability Companies Law expressly permits the use of the "Share Premium" account balance to increase capital and does not establish any specific restrictions as to its use.

d) Restrictions on the distribution of dividends

As of 31 December 2017 and 2016, there were no restrictions on the distribution of dividends by the Parent Company.

e) Treasury shares of the Parent Company

At the beginning of 2017 the subsidiary Cementos Molins Industrial, S.A.U. held 2,719,938 shares of the Parent Company, representing 4.11% of the share capital, for a total cost of 30.144 million euros. During this financial year, 633 additional shares were purchased for a cost of 9 thousand euros and no shares were sold. Consequently, at 31 December 2017, Cementos Molins Industrial, S.A.U. held a total of 2,720,571 shares of the Parent Company representing 4.11% of the share capital, for a total cost of 30,153 thousand euros.

In turn, 18,386 shares were purchased in 2016 for 0.19 million euros and no shares were sold.

All of the impacts on the Group arising from the sales of treasury shares were recognised directly in equity pursuant to IAS 32.

On 30 June 2015, the Annual General Meeting adopted the following resolution:

To authorise and empower the Board of Directors of Cementos Molins, S.A. and those companies of which Cementos Molins, S.A. is the Parent, for a five-year period, to acquire, by any legally admissible means, shares of Cementos Molins, S.A. within the limits and requirements:

- The par value of all the shares acquired, in addition to those already held by Cementos Molins, S.A. and its subsidiaries, may not at any time exceed 10% of the share capital.

- The acquisition, including the shares previously acquired by the Parent Company and held in its portfolio, must not cause equity to fall below the amount of the share capital plus the legal or restricted bylaw reserves.

- The shares acquired must be paid in full.

- Acquisitions for valuable consideration must be performed at a minimum price of the par value and a maximum of their market price on the stock exchange at the acquisition date, with express compliance with the other applicable legal requirements.

f) Consolidated reserves

The detail of "Consolidated Reserves" as of 31 December 2017 and 2016 is as follows:

		(in thousands of euros)
	31/12/2017	**31/12/2016**
Reserves of investees	653,213	608,720
Own shares	(30,153)	(30,144)
Total	**623,060**	**578,576**

g) Translation differences

The detail of translation differences attributable to the Parent Company as of 31 December 2017 and 2016 is as follows:

		(in thousands of euros)
	31/12/2017	31/12/2016
Cementos Avellaneda Group (Argentina)	(121,746)	(99,009)
Cementos Artigas Group (Uruguay)	(10,565)	(6,320)
Corporación Moctezuma Group (Mexico)	(71,133)	(61,017)
Surma Group (Bangladesh)	(2,314)	5,666
Precon Linyi (China)	635	500
Sotacib Group (Tunisia)	(37,840)	(27,437)
Colombian Companies	(4,563)	1,904
Yacuces Group (Bolivia)	642	4,906
Total	**(246,884)**	**(180,807)**

h) Contribution to consolidated result

The individual contributions to consolidated result as of 31 December 2017 and 2016, after consolidation adjustments and the calculation of minority interests, are as follows:

		(in thousands of euros)
	2017	2016
Cementos Molins, S.A. (Spain)	(7,997)	(10,359)
Cemolins Internacional, S.L.U. (Spain)	(5,833)	(8,755)
Cementos Molins Industrial, S.A.U. (Spain)	(2,405)	856
Grupo Promotora Mediterránea-2 (Spain)	1,502	(8,356)
Propamsa, S.A.U. (Spain)	1,886	1,201
Prefabricaciones y Contratas, S.A.U. (Spain)	2,024	(2,962)
Grupo Corporación Moctezuma (Mexico)	73,479	64,716
Precon Linyi (China)	(1,346)	(725)
Grupo Cementos Avellaneda (Argentina)	28,018	20,086
Grupo Cementos Artigas (Uruguay)	5,303	4,936
Grupo Yacuces (Bolivia)	(2,075)	337
Ecocementos e Iacol Agregados (Colombia)	(63)	776
Grupo LHB (Bangladesh and India)	2,175	7,117
Grupo Sotacib (Tunisia)	(5,178)	(4,972)
Other companies	(412)	(27)
Net result for the period attributed to the Parent Company	**89,078**	**63,869**

On the other hand, the profit attributable to minority interests for 2017 and 2016 amounted to 24,353 thousand euros and 16,792 thousand euros respectively (Note 17).

i) Capital risk management

The Group maintains degrees of leverage in line with its growth, solvency and profitability objectives. In this regard, one of the most significant ratios used in managing capital risk is financial leverage.

The data relating to the financial leverage ratio at 2017 and 2016 year-end are as follows (in thousands of euros):

	2017	2016
Financial liabilities	352,133	398,291
Long term deposits	(151)	(202)
Short-term financial investments	(800)	(82,543)
Cash and cash equivalents	(170,790)	(78,455)
Financial net debt	180,393	237,091
Total equity	726,168	725,250
Net debt / equity	**24.84%**	**32.69%**

17. Net equity of minority shareholders

The balance included in this chapter of in the consolidated balance sheet reflects the underlying carrying amount of the minority shareholders' investment in the consolidated companies. In addition, the balances shown in the consolidated statement of profit and loss represent the share of the non-controlling shareholders in the results for the year.

The detail of "Equity of Minority Shareholders" in the consolidated balance sheet at the end of 2017 and 2016 is as follows:

		(in thousands of euros)
	31/12/2017	31/12/2016
Grupo Promotora Mediterránea-2, S.A. (Spain	1,264	1,232
Catprecon, S.L. (Spain)	95	54
Cementos Avellaneda, S.A. (Argentina)	74,096	72,989
Sotacib (Tunisia)	15,012	22,105
Precon Linyi (China)	-	(561)
Total	**90,467**	**95,819**

The changes in "Equity of Minority Shareholders" in 2017 and 2016 are summarised as follows:

		(in thousands of euros)
	2017	2016
Initial balance	**95,819**	**96,592**
Results for the financial year (Note 16.h)	24,353	16,792
Capital increases	-	90
Dividends paid to minority	(5,383)	(8,033)
Translation differences	(25,181)	(9,536)
Transfers and other	859	(86)
Variations of the limits	-	-
Final balance	**90,467**	**95,819**

18. Dividends and distribution of results

In 2017 the Parent Company paid the following dividends:

- On 11 January 2017, an interim dividend of EUR 0.11 gross per share was paid out of 2016 profit, giving rise to a total payment of 7,273 thousand euros.

- On 13 July 2017, a supplementary dividend was paid for financial year 2016 for 0.01 gross euros per share, which entailed a disbursement of 661 thousand euros in total.

- Also, on 13 July 2017 an interim dividend of EUR 0.12 gross per share was paid out of 2017 profit. The total payment made in this case amounted to 7,934 thousand euros.

Likewise, in December 2017 the Company resolved to pay an additional interim dividend of EUR 0.12 gross per share on 11 January 2018. The disbursement totalled 7,934 thousand euros. This amount was recognised under current liabilities in the accompanying consolidated balance sheet as at 31 December 2017.

A supplementary dividend for 2017 of EUR 0.01 per share, totalling 661 thousand euros, will be submitted for approval by the shareholders at the Annual General Meeting.

The resolutions of the shareholders at the Annual General Meeting were adopted on 29 June 2017 whilst those of the Parent Company's Board of Directors were adopted on 22 December 2017.

The provisional liquidity statements of the Parent Company, prepared in accordance with the legal requirements established in Article 277 of the Spanish Limited Liability Companies Law, evidencing the existence of sufficient earnings and liquidity for the distribution of the interim dividends, are as follows:

(in thousands of euros)

	Net profit	**Undrawn balances**
31/05/2017	26,222	55,412
30/11/2017	31,335	34,441

The distribution of the Parent Company's profit for 2017 proposed by its directors is as follows:

(in thousands of euros)

	2017
Basis for distribution (Individual):	
Profit and loss	32,096
Distribution:	
To dividends	16,529
To voluntary reserves	15,567

19. Provisions

The changes, broken down by item, in "Provisions" in 2017 and 2016 were as follows:

(in thousands of euros)

	Balance at 01/01/17	**Provisions and additions**	**Reductions**	**Translation differences**	**Reclassifications**	**Balance at 31/12/17**
Greenhouse gases emission rights	6,412	8,217	(6,412)	-	-	8,217
Reversion fund quarry restoration and environmental activities	4,330	575	33	(641)	-	4,297
Staffing liabilities	905	1,286	116	(468)	-	1,839
Other	4,674	807	(2,975)	(380)	-	2,126
Total	**16,321**	**10,885**	**(9,238)**	**(1,489)**	**-**	**16,479**

(in thousands of euros)						
	Balance at 01-01-16	**Provisions and additions**	**Reductions**	**Translation differences**	**Reclassifications**	**Balance at 31-12-16**
Greenhouse gases emission rights	4,729	6,412	(4,729)	-	-	6,412
Reversion fund quarry restoration and environmental activities	4,105	511	(71)	(215)	-	4,330
Staffing liabilities	912	698	(155)	(75)	(475)	905
Other	435	4,078	(302)	(12)	475	4,674
Total	**10,181**	**11,699**	**(5,257)**	**(302)**	**-**	**16,321**

The reductions under "Other" for 2017 include a payment totalling 2,351 thousand euros, in relation to the resolution of Spanish National Markets and Competition Commission (CNMC) of 5 December 2016 (Note 30.b).

At 2016 year-end, "Other" included the provision recognised by the Group, amounting to 2,351 thousand euros, corresponding to what is described in the previous paragraph.

Information on greenhouse gas emission allowances can be found in Note 29.

20. Pension plans

In 1990 Cementos Molins, S.A. set up two pension plans pursuant to Law 8/1987 and Royal Decree 1307/1988: one for current employees and another for retired employees.

The plan for current employees is a defined contribution plan for the combined workforces of Cementos Molins, S.A., Cementos Molins Industrial, S.A.U., Cemolins Servicios Compartidos, S.L.U. and Cemolins Internacional, S.L.U., to which 117 thousand euros, 260 thousand euros, 49 thousand euros and 59 thousand euros respectively, were contributed in 2017. These contributions were recognised under "Staff Costs" in the accompanying consolidated statement of profit and loss. In 2016 the amounts contributed were 91 thousand euros at Cementos Molins, S.A., 277 thousand euros at Cementos Molins Industrial, S.A.U., 42 thousand euros at Cemolins Servicios Compartidos, S.L.U. and 41 euros thousand at Cemolins Internacional, S.L.U.

The pension plan for retired employees is a defined benefit plan and is limited to the group of pensioners who retired before the obligation in the collective agreement became a defined contribution pension plan. The Parent Company has an obligation to make the annual contributions needed to secure the benefits with a certain solvency margin. During the financial year 2017, a contribution of 9 thousand euros was made. In 2016, no contributions were necessary. As of 31 December 2017 and 2016, there is no commitment with respect to an additional contribution unless there are further changes in the expectations outlined in the plan.

The Parent participates in the management of the plan through its participation in the Control Committee.

There are no specific risks associated with the plan beyond the possible negative performance of the investments, which is mitigated mainly by the pension plan's solvency margin.

The actuarial-financial assumptions used in 2017 to quantify the actuarial liability and the mathematical provisions, pursuant to the applicable legislation on pension plans and funds, are as follows:

- Technical interest rate: 1.30%
- Annual rate of revaluation of pensions: 2%
- Mortality tables: PERM/F-2000C

The total number of participants in and beneficiaries of the defined contribution and defined benefit plans in 2017 and 2016 was 339 and 330 individuals respectively. The assets covering the obligations have amounted to 10,126 thousand euros, and in year 2016 they amounted to 10,082 thousand euros. At 31 December 2017, 79.18% of the assets were fixed-income investments, 19.36% were equity investments and the remaining 1.46% were investments in monetary assets. At 31 December 2016, 78.06% of the assets were fixed-income investments, 14.91% were equity investments and the remaining 7.03% were investments in monetary assets.

In 2006 the Spanish companies set up an employee benefit system aimed at improving the employee benefits of the Group companies' executives. The contributions are determined on an annual basis and, therefore, at any time and as established in the related Regulations, the directors of the Spanish companies may unilaterally suspend or cancel the contributions. The contributions made in 2017 amounted to 478 thousand euros while that made in 2016 was 522 thousand euros.

The subsidiary Cementos Avellaneda, S.A. (Argentina) set up an individual defined contribution plan for executive personnel, the effect of which on the consolidated statement of profit and loss for 2017 was 116 thousand euros. In 2016 the effect amounted to 102 thousand euros.

The change in the present value of the defined benefit plan obligation of Cementos Molins, S.A. for 2017 and 2016 was as follows:

(in thousands of euros)

	2017	2016
Current value of the committed remunerations as of 1 January	**663**	**679**
Cost of the services	-	-
Cost of past services	-	-
Financial expenses for the update of provisions	15	23
Payments of plan benefits	(54)	(66)
Changes to exchange rate	-	-
Actuarial gains	-	-
Actuarial losses	18	27
Plan cancellation	-	-
Current value of the committed remunerations as of 31 December	**642**	**663**

The changes in the fair value of the plan assets in 2017 and 2016 were as follows:

(in thousands of euros)

	2017	2016
Fair value of plan assets as of 1 January	**679**	**729**
Expected return	16	25
Payments for liabilities	(55)	(65)
Return premium	-	-
Contributions of the company	-	-
Changes to exchange rate	-	-
Return of plan assets	(7)	(10)
Fair value of plan assets as of 31 December	**633**	**679**

The estimated weighted average term of the obligations of the defined benefit plan of Cementos Molins, S.A. is expected to be less than 20 years.

The contributions to the pension plans in 2018 are expected to be similar to those made in 2017.

21. Financial debts

Information regarding non-trade payables is as follows:

a) Non-current

The detail of the balance of non-current debts at the end of 2017 and 2016 and the annual breakdown of their related maturities is as follows:

						(in thousands of euros)
Debts to Entities of credit	**Balance 31/12/2017**	**2019**	**2020**	**2021**	**2022**	**Remainder**
Spanish companies	190,046	33,740	85,867	37,602	27,710	5,127
Sotacib	88,227	5,751	5,714	15,425	15,499	45,838
Total	**278,273**	**39,491**	**91,581**	**53,027**	**43,209**	**50,965**

						(in thousands of euros)
Debts to Entities of credit	**Balance 31-12-16**	**2018**	**2019**	**2020**	**2021**	**Remainder**
Spanish companies	220,668	74,860	55,168	38,490	32,008	20,142
Sotacib	119,244	7,228	7,302	7,254	19,584	77,876
Total	**339,912**	**82,088**	**62,470**	**45,744**	**51,592**	**98,018**

All of the liabilities described in the foregoing table relate to "Accounts Payable" and the Group does not hold and has not designated any instrument as "Financial Liabilities at Fair Value" other than the hedging instruments discussed below. In this connection, the Group's bank borrowings were arranged on an arm's length basis and, accordingly, their fair value does not differ significantly from their carrying amount.

Spanish companies

On 19 December 2007, the Group entered into a long-term loan agreement for 70 million euros to finance investments abroad. In successive negotiations, the loan was increased to 130 million euros, maturing on 30 June 2021, of which 38.75 million euros were left outstanding as of 31 December 2017 (48.75 million euros as of 31 December 2016).

Regarding this debt, in the first semester of 2009 the Group entered into two variable-to-fixed interest rate swap agreements, for the amount of 60 million euros aiming at partly covering the interest rate exposure. These hedges, which have the same repayment terms as the related loan, were renewed in order to bring them into line with the new repayment schedule.

At 31 December 2017 and 2016, the negative fair value of the hedging derivatives, which is presented as non-current financial debt, stood at 537 thousand euros and 943 thousand euros respectively.

The consideration of the credit risk in the valuation of the hedging instruments held by the Group at 31 December 2017 and 2016 would not have a material effect on the fair value thereof.

On 11 May 2009, the Group arranged a loan from the European Investment Bank (EIB) for 60 million euros, which had been drawn down in full at 31 December 2009. At 31 December 2017, the outstanding balance of this loan amounted to 30 million euros, maturing in December 2021 (37.5 million euros at 31 December 2016).

In connection to this debt to the EIB, the Group entered into a financial counter-guarantee agreement with a financial entity acting as guarantor for the transaction.

In January and July 2010 the Group arranged two loans from a bank in order to finance investments abroad. The loans were subsequently renegotiated and converted into a single loan of 43 million, of which no balance remained outstanding at 31 December 2017 (29.8 million euros at 31 December 2016).

On 30 July 2013, a loan for 25 million euros to be repaid over 5 years was arranged with a bank in order to finance investments in Spain. As of 31 December 2017, the outstanding balance of this loan amounts to 14 million euros (18 million euros as of 31 December 2016).

In May 2015 a loan of 15 million euros was arranged with a bank to finance investments abroad, the outstanding balance of which at 31 December 2017 amounts to 12 million euros (14 million euros at 31 December 2016).

In July and October 2015 two loans, each amounting to 20 million, were arranged with banks to finance investments abroad. As of 31 December 2017, the balances drawn down of these loans were 13.94 million euros and 20 million respectively (17.42 and 8 million euros as of 31 December 2016 respectively).

In July 2015 a loan agreement for 40 million euros was entered into with a bank to finance investments abroad. As of 31 December 2017, the balance drawn down of this loan is 40 million euros (20 million euros as of 31 December 2016).

Also, at 31 December 2017, 46.6 million euros drawn down against credit facilities arranged with various banks maturing in 2020 were also included. At 31 December 2016, the balance drawn down was 56.8 million euros.

In 2017 the average interest rate on the Spanish companies' total debts was 1.68% (2.68% during the 2016 financial year).

Tunisian companies

The detail of the main transactions forming the borrowings of the Group's subsidiaries in Tunisia is as follows:

In the 2008 financial year, a financing agreement was entered into with a pool of local financial entities to finance the investments in the facilities of Sotacib, S.A. This loan is given in local currency (Tunisian dinar) without recourse to shareholders of the company and at an interest rate referenced at the local indicator (TMM) plus a spread of 2.25%. The euro equivalent of the total loan amount at 31 December 2017 was 26.1 million euros (34.9 million euros at 31 December 2016), which had been disbursed in full. At 31 December 2017, 23.2 million of the amount disbursed were included under "Non-Current Debt" (32.4 million euros at 31 December 2016).

In the 2009 financial year, a financing agreement was entered into with a pool of local financial entities to also finance the investments in the facilities of Sotacib Kairouan, S.A. This loan is given in local currency (Tunisian dinar) without recourse to shareholders of the company and at an interest rate referenced at the local indicator (TMM) plus a spread of 2.25%. The euro equivalent of the total loan amount at 31 December 2017 was 68.7 million euros (91 million euros at 31 December 2016), which had been disbursed in full. At 31 December 2017, 65 million euros were included under "Non-Current Debt" (86.8 million euros at 31 December 2016).

b) Current

The breakdown of the various accounts, by group of companies, at 31 December 2017 and 2016 is as follows:

(in thousands of euros)				
	Sociedades Españolas	Cementos Avellaneda, S.A.	Sotacib (Tunisia)	Total
Credit 2017	65,446	364	8,050	73,860
Credit 2016	46,005	685	8,689	58,379

The main amounts relate to the current borrowings of the Spanish and Tunisian companies.

Spanish companies

The amount indicated in the table relates to the portions payable at short-term of the debt detailed in Note 21.a, as well as the balances drawn down against credit facilities and the approved interim dividend which is yet to be paid to the shareholders (Note 18).

Tunisian companies

The main amount of current borrowings in Tunisia relates to the portion payable at short term detailed in Note 21.a.

c) Financial Activities

In application of the amendment to IAS 7, the reconciliation of the cash flows arising from financing activities with the corresponding liabilities in the initial and final consolidated balance sheet is included, separating the movements that involve cash flows from non-cash flows:

			Without cash effects			
	31/12/2016	**Cash flow**	**Exchange rate**	**Change in fair value**	**Other**	**31/12/2017**
Financial debt	397,348	(18,794)	(27,165)	-	207	351,596
Derivatives	943	-	-	(406)	-	537
Other non-current liabilities	380	83	(83)	-	(37)	343
Total	**398,671**	**(18,711)**	**(27,248)**	**(406)**	**170**	**352,476**

22. Disclosures on the average period of payment to suppliers

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2017	**2016**
	Days	Days
Average supplier payment period	63	60
Ratio of transactions paid	66	64
Ratio of transactions pending payment	51	47
	Thousand of Euros	Thousand of Euros
Total payments made	153,327	126,712
Total pending payments	41,529	38,276

In accordance with the ICAC Resolution, the average period of payment to suppliers in these consolidated financial statements was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December, although solely in respect of the fully consolidated companies located in Spain.

For the sole purpose of the disclosures provided for in this Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in "Trade Creditors" under current liabilities in the consolidated balance sheet.

“Average supplier payment period” is understood to be the period between the delivery of the goods or the provision of services by the supplier and the material payment of the transaction.

23. Tax situation

In view of the Cementos Molins Group's presence in various tax jurisdictions, the Group companies file income tax returns in accordance with the tax regulations applicable in each country.

a) In Spain

Most of the companies that are resident in Spain file income tax returns under the consolidated tax regime. The companies in the tax group calculate the Group's taxable profit or loss and tax charge on an aggregate basis and share it out among themselves, as established by the Spanish Accounting and Audit Institute.

Cementos Molins, S.A. has been the parent of consolidated tax group 70/97 since 1997. The companies composing the tax group are all of those in which the Parent has a direct or indirect ownership interest of more than 75%. Specifically, in 2017 the companies composing the aforementioned tax group are as follows:

Parent company: Cementos Molins, S.A.

Subsidiaries:
Cementos Molins Industrial, S.A.U.
Cemolins Internacional, S.L.U.
Prefabricaciones y Contratas, S.A.U.
Promotora Mediterránea-2, S.A.
Propamsa, S.A.U.
Monsó-Boneta, S.L.
Cemolins Servicios Compartidos, S.L.U.
Pronatur Energy 2011, S.L.U.

The other companies resident in Spain that do not form part of the tax group file individual tax returns.

The Spanish Group companies (both those that file consolidated tax returns and those that do not file returns under the consolidated tax regime) apply the standard tax rate of 25%.

b) In the remainder countries

The fully consolidated foreign subsidiaries and the foreign subsidiaries accounted for using the equity method calculate the income tax expense and the tax charges for the various taxes applicable to them in conformity with the legislation of, and at the tax rates in force in, their respective countries.

Income tax is not uniform; it varies according to the residency of the foreign subsidiaries and to the circumstances in each particular case for tax purposes.

The detail of the various tax rates is as follows:

Country	%
Argentina	35
Uruguay	25
Mexico	30
Bangladesh	25
Tunisia	25
China	25
Bolivia	25
Colombia	33/20

Financial years eligible for tax audit

At 2017 year-end, Cementos Molins, S.A., as parent company of the tax group, had 2013 and subsequent years open for review by the tax authorities for the corporate income tax and 2014 and subsequent years for all the other taxes applicable to it. Similarly, most of its subsidiaries have the last four years open for review by the tax authorities for all the taxes applicable to them.

In the rest of the countries in which the Group has a significant presence, the years open for review by the tax authorities are as follows:

In Argentina the statute-of-limitations period for tax reviews is 6 years; accordingly, at 2017 year-end, Cementos Avellaneda S.A. had 2011 and subsequent years open for review by the tax authorities.

In Uruguay, the statute-of-limitations period is five years and may be extended to ten years in the event that failure to submit tax returns or tax fraud is proven. Since 2012 the periods at Cementos Artigas, S.A. are not statute-barred.

In Mexico, 2012 and subsequent years are open for review.

In the Tunisian companies Sotacib, S.A. and Sotacib Kairouan, S.A., 2013 and subsequent years are open for review.

In Bangladesh, 2011 and subsequent years are open for review.

The criteria that the tax authorities might adopt could give rise to contingent liabilities for which no provision has been recognised in the accompanying consolidated financial statements. However, the Directors consider that the effect of this difference in criteria would not be material with respect to the consolidated financial statements as at 31 December 2017.

Reconciliation of the accounting result with the taxable result

The reconciliation of the consolidated accounting result with the corporate income tax expense recognised in the consolidated statement of profit and loss for 2017 and 2016 is as follows:

(in thousands of euros)

	2017	2016
Accounting results before tax	**146,178**	**114,843**
Result of the consolidated companies accounted for by the equity method	(78,649)	(77,633)
Consolidation adjustments	(13,054)	5,162
Adjusted accounting result before taxes	**54,476**	**42,372**
Impact of the rate on the adjusted accounting result	**30,831**	**21,694**
Impact of individual companies' permanent differences	149	129
Deductions and credits	(118)	(95)
Other adjustments	1,885	12,455
Total tax expenses recognised in the profit and loss account	**32,747**	**34,183**

In the financial year 2017, the item "Other adjustments" mainly includes, the deposit of 775 thousand euros as a result of the phasing of the tax rate of 35% to 30%, in Argentine company and expenditure due to the deactivation of 2,755 thousand euros corresponding to the loan to the tax loss carryforwards to be offset by the Tunisian companies Sotacib, S.A. and Sotacib Kairouan, S.A.

“Other Adjustments” in 2016 included mainly the expense arising from the elimination of 12,470 thousand euros relating to the tax asset recognised for the Spanish consolidated tax group's tax loss carryforwards.

The reconciliation of the consolidated accounting result with the taxable result for corporate income tax purposes is as follows:

Year 2017

(in thousands of euros)

Consolidated adjusted accounting result before taxes			**146,178**
Eliminations			
- Result of the consolidated companies accounted for by the equity method			(78,649)
	Increases	Decreases	
Permanent differences:			
- Of individual companies	946	-	946
- Of the consolidation adjustments	29	13,083	(13,054)
Temporary differences:			
- Of individual companies			
Originated in the financial year	22,836	87	22,749
Originated in past financial years	2,742	8,754	(6,012)
- Of the consolidation adjustments			
Originated in the financial year	-	-	-
Originated in past financial years	2,045	-	2,045
Set-off for negative taxable incomes of previous financial years			-
Taxable Base (Tax Result)			**74,203**

The permanent differences from consolidation adjustments relate primarily to the incorporation of the impairment registered by the company Cemolins Internacional, S.L. for the value of their stake in Sotacib Kairouan., S.A. Similarly this impairment forms part, but with the opposite sign, of the temporary differences of the individual companies.

The remaining temporary differences of the individual companies arise mainly from the different methods of amortising the goodwill and the property, plant and equipment, from impairment losses for inventories, credits losses and property plant and equipment, as well as from the pension plans or long-term benefits. In addition, these temporary differences incorporate the effect of the new reversal mechanism, in Spanish companies, of the losses due to impairment of value of shareholdings in entities which, in previous years, were tax deductible.

The temporary differences on consolidation comprise the reversal of the revaluation of the assets of Cementos Avellaneda, S.A. in 2010 as a result of the obtainment of control of the company.

The negative tax base generated in the Consolidated Spanish Tax Agency has amounted to 8 million euros.

Year 2016

(in thousands of euros)

	Increases	Decreases	
Consolidated adjusted accounting result before taxes			**114,843**
Eliminations			
- Result of the consolidated companies accounted for by the equity method			(77,633)
Permanent differences:			
- Of individual companies	756	-	756
- Of the consolidation adjustments	644	5,807	(5,163)
Temporary differences:			
- Of individual companies			
Originated in the financial year	19,800	914	18,886
Originated in past financial years	3,334	11,143	(7,809)
- Of the consolidation adjustments	-	-	-
Originated in the financial year	-	-	-
Originated in past financial years	2,334	-	2,334
Set-off for negative taxable incomes of previous financial years			-
Taxable Base (Tax Result)			**46,214**

The temporary differences of the individual companies in 2016 arise mainly from the different methods of amortising the assets, as well as from impairment losses for inventories, credits losses, pension plans and assets.

Also, the temporary differences of the individual companies included the effect of the amendment made to the Spanish income tax by Royal-Decree Law 3/2016. Following this amendment, the Group recognised a temporary difference in 2016 amounting to 3,165 thousand euros, representing one-fifth of the amount.

The tax base of the consolidated tax group in Spain amounted to 10 million euros.

The temporary differences on consolidation comprised the reversal of the revaluation of the assets belonging to Cementos Avellaneda, S.A. which took place in 2010 as a result of the acquisition of control of the company.

Temporary differences

Temporary differences arise as a result of the difference between the tax bases of the assets and liabilities and their carrying amounts. Deductible temporary differences, tax credits and tax relief and tax loss carryforwards give rise to deferred tax assets classified under "Non-Current Assets" in the consolidated balance sheet, whereas taxable temporary differences give rise to deferred tax liabilities classified under "Non-Current Liabilities" in the consolidated balance sheet. The deferred tax assets and liabilities arising from temporary differences recognised at 31 December 2017 and 2016 are shown in the tables below:

Deferred tax assets

(in thousands of euros)

	2017	2016
Provisions for pension plans	1,251	1,251
Goodwill (impairment)	5,081	5,656
Tax loss carryforwards	14,994	19,662
Deductions	2,808	2,808
Sundry provisions and others	508	623
Total deferred tax assets	**24,642**	**30,000**

Deferred tax liabilities

(in thousands of euros)

	2017	2016
Asset revaluation due to takeover	6,659	10,732
Amortisations	3,490	4,914
Sundry provisions and others	2,856	2,671
Total deferred tax liabilities	**13,005**	**18,317**

At 31 December 2017 and 2016, the balance of "Deferred Tax Assets" included mainly the tax credit carryforwards, tax loss carryforwards of Group companies as well as the impairment of goodwill.

In 2017 a portion of the tax credit for loss carryforwards generated by the Tunisian companies was derecognised. Although the Tunisian tax legislation does not set a maximum time limit for the recovery of the tax losses arising from the amortisation of the fixed assets, the Directors have chosen to consider a finite time period of 10 years for the recovery of the aforementioned tax losses.

“Goodwill” includes mainly the deferred asset arising from the impairment of goodwill at the Tunisian investee Sotacib, S.A.

“Deferred Tax Liabilities” at 31 December 2017 and 2016 relates mainly to the tax effects of the acquisition of control of (i) the subsidiary Cementos Avellaneda, S.A. in 2010 and (ii) of Santa Pamela, S.A. by the Argentinian company Cementos Avellaneda, S.A last 2016. It also includes the differences in the method of recognising the amortisation charge on the assets, mainly, of the Argentinian and the Tunisian companies, for accounting and tax purposes.

Tax credits for loss carryforwards

The tax loss carryforwards at 31 December 2017 relating to the Spanish Group companies amounted to 187,648 thousand euros, 186,449 thousand euros of which relate to the consolidated tax group.

The detail of the tax losses of the Spanish companies at 31 December 2017 is as follows:

(thousands of euros)

Financial year generation	Amount generated
2009	63
2010	9,280
2011	46,940
2012	48,393
2013	32,834
2014	20,943
2015	10,682
2016	10,106
2017	7,770
TOTAL	**187,011**

The Group companies use a conservative criteria to recognise deferred tax assets for tax loss and tax credit carryforwards based on the best estimate of their future results and on the period for recovering tax losses. In relation to the period for offset of tax losses, current tax legislation in Spain does not set a maximum time limit for their recovery; however, the Directors have chosen to consider a finite time period of 10 years for their recovery.

Consequently, the accompanying consolidated financial statements as at 31 December 2017 include a deferred tax asset of 14,994 thousand euros relating to tax loss carryforwards, of which 10,857 thousand euros belong to the Spanish companies and 4,137 thousand euros to the Tunisian companies (10,867 thousand euros and 8,796 thousand euros at 31 December 2016).

At 31 December 2017, there were unrecognised tax loss carryforwards amounting to 39,573 thousand euros, 35,893 thousand euros of which related to the Spanish Group companies and 3,680 thousand euros to the Group’s Tunisian companies (33,951 thousand euros and 689 thousand euros at 31 December 2016).

Deductions

The Group recognised tax assets for the deductions which, based on the best estimate of its future earnings, are expected to be realised.

At 2017 year-end, the consolidated financial statements include tax credit carryforwards earned by the Spanish consolidated group and amounting to 2,808 thousand euros. These deductions were calculated pursuant to the Spanish Income Tax Law and relate mainly to the elimination of double taxation, investments in assets used for the protection of the environment, research and development and technological innovation expenditure and donations. The period for using the deductions varies depending on the type of deduction in question. However, they generally must be used within 15 or 18 years from the date on which they are earned.

The following table details the deductions earned by the Spanish Group and the last years for using them:

(thousands of euros)

Year of generation	Quota	Last applicable financial year
Deductions generated financial year 2010	30	Without limit
	117	Without limit
	163	2020
	170	2025
	142	2028
Deductions generated financial year 2011	105	Without limit
	91	Without limit
	227	2021
	227	2026
	384	2029
Deductions generated financial year 2012	1	Without limit
	56	Without limit
	123	2022
	724	2027
	422	2030
Deductions generated financial year 2013	63	Without limit
	79	Without limit
	114	2023
	103	2028
	258	2031
Deductions generated financial year 2014	200	Without limit
	120	2024
	79	2029
	112	2032
Deductions generated financial year 2015	102	Without limit
	22	Without limit
	170	2025
	95	2033
Deductions generated financial year 2016	239	Without limit
	54	Without limit
	181	2026
	23	2031
	78	2034
Deductions generated year 2017	23	Without limit
	160	2027
	19	2032
	63	2035
TOTAL	**5,340**	

At 31 December 2017, the Group had unrecognised tax credit carryforwards amounting to 2,532 thousand euros, which were earned in full by the Spanish Group (2,266 thousand euros at 31 December 2016).

Public Administrations

The balances payable and receivable to Public Administrations shown in the consolidated balance sheet at 2017 and 2016 year end are as follows:

		(in thousands of euros)
	2017	**2016**
Tax receivables		
Short-term:		
VAT refundable by Public Treasury	5,396	6,239
Other accounts receivable	22,826	5,955
Total (Note 15)	**28,222**	**12,194**
Tax payables		
Short-term:		
VAT payable by Public Treasury	(522)	(632)
Withholdings/Personal income tax payable	(1,823)	(1,726)
Social security taxes payable	(3,722)	(3,605)
Income tax payable	(27,102)	(6,294)
Other accounts payable	(5,317)	(6,326)
Total	**(38,486)**	**(18,583)**

24. Guarantee commitments to third parties

At 31 December 2017 and 2016, in addition to those disclosed in Note 21, the Group had received guarantees from banks and insurance companies which were provided to third parties and which amounted to 30,231 thousand euros and 31,639 thousand euros respectively. These guarantees were those provided to government agencies to guarantee the restoration of natural areas affected by quarry operations, as required by current legislation, as well as to cover the liability resulting from the various businesses.

On 23 November 2015, the subsidiary Itacamba Cementos S.A., located in Bolivia, entered into a syndicated loan agreement for an amount of 835 million bolivians, to partly finance the construction of a new cement plant. Cementos Molins, S.A. has committed to guarantee, through a 50% joint security, the compliance of the obligations assumed by Itacamba Cemento S.A. by virtue of the syndicated loan agreement, until the mentioned cement plant is put into service. As of 31 December 2017, this guarantee is still in force.

The Directors do not envisage that, as a consequence of these guarantees, there might be additional liabilities for the Group.

25. Operating income and expenses

a) Sales

The distribution of the net turnover, broken down by companies in 2017 and 2016 is as follows. The amounts are shown following the elimination of intra-Group transactions.

(in thousands of euros)		
	2017	**2016**
Cementos Molins Industrial, S.A. (Spain)	63,308	61,213
Promotora Mediterránea-2 Group (Spain)	62,994	47,617
Prefabricaciones y Contratas Group (Spain)	68,014	61,335
Propamsa, S.A. (Spain)	35,563	32,297
Cementos Avellaneda Group (Argentina)	344,458	279,575
Sotacib Group (Tunisia)	71,283	79,167
Total	**645,620**	**561,204**

The detail of the net turnover broken down by the business segments in which the Group operates is shown in Note 6.b.

b) Procurements

The detail of "Procurements" in the consolidated statement of profit and loss for 2017 and 2016 is as follows:

(in thousands of euros)

	2017	**2016**
Consumption of merchandise:		
Purchases	8,498	8,979
Stock variation	(4,992)	(2,692)
Total	**3,506**	**6,287**
Consumption of raw materials and other consumables:		
Purchases	173,045	153,496
Work performed by other companies	42,040	34,389
Stock variation	(2,856)	(7,078)
Total	**212,229**	**180,807**
Impairments:		
Raw materials and other consumables used	192	155
Finished goods and work in progress	153	(432)
Total	**345**	**(277)**
Total supplies	**216,080**	**186,817**

c) Employees

Following is a detail of all the headcounts of the fully consolidated Group companies.

The average number of employees at the Group companies in 2017 and 2016 was as follows:

	Women	Men	Total 2017	Total 2016
Cementos Molins, S.A.	14	20	34	33
Cementos Molins Industrial, S.A.	15	157	172	170
Cemolins Servicios Compartidos, S.L.	26	12	38	38
Promotora Mediterránea-2 Group	26	188	214	220
Prefabricaciones y Contratas, S.A. / Catprecon, S.L.	53	517	570	520
Propamsa, S.A.	23	109	132	126
Cemolins Internacional, S.L.	2	7	9	9
Grupo Cementos Avellaneda, S.A.	48	694	742	726
Sotacib, S.A. / Sotacib Kairouan, S.A.	37	502	539	577
Precon (Linyi) Construction Co., Ltd	2	2	4	4
Totals	**246**	**2,208**	**2,454**	**2,423**

Pursuant to the Spanish Law on the Social Integration of Disabled Persons, the average number of disabled employees in the companies located in Spain in 2017 was 14 and 11 in 2016.

The final number of employees in the Group companies in 2017 and 2016 was as follows:

	Women	Men	Total 2017	Total 2016
Cementos Molins, S.A.	15	20	35	32
Cementos Molins Industrial, S.A.	15	156	171	169
Cemolins Servicios Compartidos, S.L.	27	12	39	39
Promotora Mediterránea-2 Group	27	193	220	213
Prefabricaciones y Contratas, S.A. / Catprecon, S.L.	58	536	594	605
Propamsa, S.A.	24	109	133	126
Cemolins Internacional, S.L.	2	9	11	8
Grupo Cementos Avellaneda, S.A.	49	701	750	728
Sotacib, S.A. / Sotacib Kairouan, S.A.	37	495	532	575
Precon (Linyi) Construction Co., Ltd	2	2	4	4
Totals	**256**	**2,233**	**2,489**	**2,499**

d) Other operating expenses

The heading "Other Operating Expenses" in 2017 and 2016 is as follows:

		(in thousands of euros)
	2017	**2016**
Leases and royalties	10,203	9,685
Repairs and upkeep	23,638	22,222
Professional services	7,453	7,328
Transport	59,158	48,626
Utilities	61,762	51,483
Other current operating expenses	8,408	6,577
Taxes	22,420	20,864
Other	16,645	17,302
Total	**209,687**	**184,087**

e) Leases

Operating leases

The amount of the operating lease payments recognised as an expense in 2017 and 2016 is as follows:

	(in thousands of euros)	
	2017	**2016**
Minimum payments for operating leases recognised in the results for the financial year	9,662	8,777

At 31 December 2017 and 2016, the Group had outstanding obligations for future minimum lease payments under operating leases falling due as follows:

	(in thousands of euros)	
	2017	**2016**
Less than a year	8,996	7,601
One to five years	23,667	5,963
More than five years	21,613	5,390

The assets corresponding to the lease obligations assumed relate basically to land and buildings. The average term of the leases varies considerably, since the facilities to be used for carrying on the activity of concrete manufacturing and the extraction and treatment of aggregates stand mainly on leased land. These activities are carried on at the various manufacturing plants.

The commitments included in the financial year 2017 include the non-cancellable future instalments, as well as the periods covered by an option to extend those leases for which such an option is reasonably certain to be carried out. In turn, in the financial year 2016, only the non-cancellable commitments were included.

f) Fees paid to auditors

During the financial years 2017 and 2016, the fees charged for audit services and other services rendered by the auditor responsible for the Group's consolidated financial statements, Deloitte, S.L., or by the firms that are members of the Deloitte network, as well as the fees for the services charged by the auditors responsible for the individual financial statements of the companies included in the consolidation and by the entities related to the auditors through control common, ownership or management, have been the following:

	(in thousands of euros)			
	2017		2016	
	Fees for services provided by the main auditor	Fees charges by other audit firms	Fees for services provided by the main auditor	Fees charges by other audit firms
Audit services	321	540	325	541
Other verification services	7	-	7	-
Total audit services and related services	**328**	**540**	**332**	**541**
Tax consulting services	20	36	21	-
Other Services	-	33	39	48
Total professional services	**20**	**69**	**60**	**48**
Total	**348**	**609**	**392**	**588**

The aforementioned figures relate to the full amount of the fees, despite being recognised in the consolidated statement of profit and loss taking into account the consolidation method of each of companies comprising the Group.

26. Result due to impairment and sale of assets

The result obtained from impairments and sales of assets in 2017 and 2016 is as follows:

	(in thousands of euros)					
	2017			2016		
	Loss	Profit	Net result	Loss	Profit	Net result
Result due to impairment, disposal or derecognition of:						
Property, plant and equipment	(2,785)	43	(2,742)	(1,758)	760	(998)
Intangible assets	-	-	-	-	-	-
Investment property	-	-	-	(1,416)	-	(1,416)
Total	**(2,785)**	**43**	**(2,742)**	**(3,174)**	**760**	**(2,414)**

In 2017 certain assets amounting to 2,729 thousand euros relating to the cement activity in Spain became impaired since they were no longer in use (Note 9) (1,695 thousand euros in 2016).

Likewise, "Result due to impairment, disposal or derecognition of investment property" in 2016 included an impairment of 1,416 thousand euros relating to the assets currently owned by the company Prefabricaciones y Contratas, S.A.U. (Note 11).

27. Financial result

The detail of the financial result obtained in 2017 and 2016 is as follows:

	(in thousands of euros)	
	2017	2016
Financial income:		
Income from equity investments	3	3
Income from other financial interests	4,633	7,738
Other finance income	672	1,228
Change in fair value of financial instruments (Note 3.k)	485	-
Positive exchange differences	6,507	4,921
Total financial income	**12,300**	**1,380**
Financial expenses:		
Borrowing costs	(13,527)	(15,453)
Other financial expenses	(392)	(222)
Impairment of financial instruments	-	(635)
Negative exchange differences	(4,159)	(3,559)
Total financial expenses	**(18,078)**	**(19,869)**
Total financial result (negative)	**(5,778)**	**(5,979)**

28. Earnings per share

The calculation of earnings per share in 2017 and 2016 is as follows:

	2017	2016
Net profit attributable to the Parent Company (thousands of euros)	89,078	63,869
Weighted average number of ordinary shares	66,115,670	66,115,670
Basic and diluted earnings per share (euros)	**1.35**	**0.97**

29. Information on greenhouse gas emission allowances

The Council of Ministers of the Spanish Government, according to the Agreement on 15 November 2013, established the final greenhouse gas emission allowances related to Phase III (period 2013-2020) for the company Cementos Molins Industrial, S.A.U. amounting to 7.1 million tonnes of CO_2, received free of charge under Law 1/2005, of 9 March, that regulates the greenhouse gas emissions trading scheme. 882,469 allowances amounting to 5.39 million euros were allocated for 2017 (899,511 allowances amounting to 7.23 million euros for 2016).

1,051,532 allowances amounting to 8.22 million euros were used in 2017. The allowances used were recognised under "Other Current Operating Expenses", with a credit to "Provisions for Risks and Charges". Also, 8.22 million euros were deducted from "Income to Be Distributed over Several Financial Years" and credited to "Other Income".

984,134 allowances amounting to 6.41 million euros were used in 2016.

At 31 December 2017 and 2016, the balance of emission allowances amounted to 1,307,270 million euros and 1,476,333 million euros respectively.

30. Commitments and contingencies

a) Commitments

In 2015 the Group commenced a project for the construction of a cement factory in Colombia, for which a total of 155.8 million USD were committed at 2017 year-end (177.6 million USD at 31 December 2016).

The Group's commitments related to other projects in progress at 2017 year end are as follows:

- Project a capacity increase in the plant located in San Luis (Argentina): 78.2 million USD.

- Clay activation project in the plant located in Olavarría (Argentina): 2.7 million USD.

In December 2016, LafargeHolcim Bangladesh Ltd. (Bangladeshi investee company of Cementos Molins Group and LafargeHolcim Group) reached an agreement with LafargeHolcim Group for the purchase of 100% of the shares in Holcim Cement (Bangladesh) Ltd., whose main assets are three cement milling plants located in Bangladesh with a production capacity of 2.2 million tonnes of cement per year. After receiving the authorisation from the Bank of Bangladesh, we have proceeded to close the transaction on 7 January 2018. The final transaction price was 60 million USD.

b) Contingencies

CNMC resolution

On 5 December 2016, the Spanish National Markets and Competition Commission (CNMC) issued a resolution as part of the disciplinary proceeding S/DC/0525/14 ("the Resolution"), whereby:

It was accepted as accredited that Promotora Mediterránea-2, S.A. had breached Article 1 of Competition Law 15/2007 by carrying out certain collusive practices, and a penalty of 2,351 thousand euros was imposed.

It was resolved to set aside the actions brought against Cementos Molins Industrial, S.A.U.

For these purposes, although the Group had recognised a provision for this item under "Non-Current Liabilities - Provisions" in the accompanying consolidated balance sheet at 2016 year end, Promotora Mediterránea-2, S.A. filed a contentious-administrative appeal against the Resolution, requesting that it be rendered void ab initio. The judicial proceeding is now ready for judgement.

The fine was paid on 17 October 2017.

Propamsa, S.A.: Guadassuar

A court order of 22 April 2016 upheld the appeal for judicial review requesting that the construction permit and the environmental permit granted by the Guadassuar municipal council to Propamsa, S.A.U. for the installation of a mortar manufacturing plant in Guadassuar be declared null and void. The Town Council of Guadassuar is currently implementing the actions necessary for the urban development of the activity, to which end in the last Plenary Session, held on 30 March 2017, it was agreed to start the amendment for planning that affects the sector of the General Plan in which the activity of Propamsa, S.A.U. is located. As part of this amendment, the Committee for Environmental Assessment of the General Directorate of Environment and Assessment of the Generalitat Valenciana has issued a favourable Strategic Environmental and Territorial Report.

31. Related-party transactions

a) Trade transactions

In accordance with the Ministry of Economy and Competitiveness *Order ECC 461/2013*, of 20 March, and the Ministry of Economy and Finance *Order EHA/3050/2004*, of 15 September, the directors did not carry out any related-party transactions with Cementos Molins, S.A. or with the companies in its consolidated Group.

b) Direct or indirect situations of conflict with the business interest of Cementos Molins, S.A.

There are no situations involving a direct or indirect conflict of the Parent's directors or persons related to them with Cementos Molins, S.A.'s business interest.

d) Existence and identity of directors who are also directors of companies holding significant ownership interests in Cementos Molins, S.A.

Pursuant to the provisions of Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March:

a) The individuals indicated below are members of the Board of Directors of the following companies which hold a significant ownership interest in Cementos Molins, S.A.:

Mr Joaquín Mª Molins López-Rodó is a director of OTINIX, S.A.

Mr Juan Molins Amat is a director of NOUMEA, S.A.

Mr. Juan Molins Amat is Deputy Chairman of Cartera de Inversiones C.M., S.A.

b) None of the other members of the Board of Directors are directors of any company which holds a significant ownership interest in Cementos Molins, S.A.

d) Existence and identity of directors that are appointed as directors or management members in other companies that are part of Cementos Molins Group, S.A.

a) The individuals indicated below are members of the Board of Directors or executives of the following companies belonging to the Cementos Molins Group:

Mr. Juan Molins Amat is:

- President of (i) Cemolins Internacional, S.L.U., and (ii) Corporación Moctezuma, S.A.B. de C.V.

Mr. Julio Rodríguez Izquierdo is:

- President of (i) Sotacib-Kairouan, S.A.; (ii) Sotacib, S.A.; (iii) Cementos Avellaneda, S.A.; and (iv) Minus Inversora, S.A.

- First Deputy Chairman in Cementos Artigas, S.A.

- Director of (i) Cemolins Internacional, S.L.U., (ii) LafargeHolcim Bangladesh Limited, (iii) Corporación Moctezuma, S.A.B. de C.V., (iv) Insumos y Agregados de Colombia, S.A.S., and (v) Empresa Colombiana de Cementos, S.A.S;

b) None of the other members of the Board of Directors are directors or executives of any company belonging to the Cementos Molins Group.

e) Remuneration to executives

The remuneration of key executives of the Parent Company for the years 2017 and 2016 (for all concepts, including the long-term variable remuneration accrued in the year to be received by some executives after 3 years from 2016) is the following:

Remuneration Top Management	2017	2016
Amount (thousands of euros)	2,836	2,691
Number of people	10	10

f) Related party transactions and balances

Transactions between the Parent and its subsidiaries have been eliminated on consolidation and are not disclosed in these notes to the consolidated financial statements. Transactions between the Parent Company and its subsidiaries are disclosed in the separate financial statements.

The detail of the transactions and balances with related companies that were not eliminated on consolidation, since they were accounted for using the equity method, is as follows:

	(in thousands of euros)	
Related-party transactions	**2017**	**2016**
Sales of materials	515	326
Other ordinary income	1,592	1,309
Rendering of services	161	426
Purchases of materials	(9,018)	(3,437)
Reception of services	(2,026)	(1,873)
Financial result	-	10

	(in thousands of euros)	
Related-party balances	**31/12/2017**	**31/12/2016**
Commercial debtors	2,906	2,797
Commercial creditors	(3,169)	(1,362)

32. Remuneration and other benefits of the Board of Directors

The detail of the remuneration earned by the Parent Company's Board of Directors as a whole in 2017 and 2016 is as follows:

(in thousands of euros)

Concept	2017	2016
Attendance allowances	213	181
Board Remuneration	419	448
Commissions Remuneration	153	163
Professional fees	1,462	1,427
Total	**2,247**	**2,219**

The professional fees include the remuneration of the Chief Executive Officer for the performance of their executive duties (for all concepts, including the long-term variable remuneration accrued in the year to be received after 3 years from 2016) and the specific remuneration of the Chairman of the Board.

Furthermore, the rights accrued in pension and life insurance plans as of 31 December 2017 and 2016, amount to 2,498 and 2,372 thousand euros, respectively.

Also, the Directors' civil liability insurance premium paid by the Parent Company in 2017 amounted to 22 thousand euros (24 thousand euros in 2016).

33. Detail of the ownership interests in CEMENTOS MOLINS, S.A.

Pursuant to Article 540 of the Spanish Limited Liability Companies Law, following is a detail of the equity interests held by the members of the Board of Directors in Cementos Molins, S.A.:

Holder	Number of shares		Nominal value	Date of acquisition	Last date of communication to the CNMV
Juan Molins Amat	47,921	0.072%	14,376.30	Several	18-12-2012
Cartera de Inversiones CM, S.A.	15,893,000	24,038%	4,767,900	Several	03-11-2016
Mr. Miguel del Campo Rodríguez	1,000	0.002%	300	12-11-2004	15-04-2008
Otinix, S.L.	21,796,705	32,968%	6,539,011.50	Several	14-10-2015
Noumea, S.A.	21,201,704	32,068%	6,360,511.20	Several	09-02-2018
Foro Familiar Molins, S.L.	377	0.001%	113	Several	01-08-2008
Eusebio Díaz-Morera Puig-Sureda	0	0%	0	-	31-05-2012
Francisco Javier Fernández Bescós	500	0.001%	150	02-08-2012	03-08-2012
Joaquín Mª Molins López-Rodó	29,962	0,045%	8,988.60	Several	05-12-2017
Julio Rodríguez Izquierdo	0	0%	0	-	03-07-2015
Andrea Kathrin Christenson	0	0%	0	-	03-07-2015
Juan Molins Monteys	14,870	0,022%	4,461	Several	05-07-2017
Socorro Fernández Larrea	0	0%	0	-	14-12-2017

34. Information on the environment

The Group companies have been carrying out a series of activities to prevent, minimise or repair damage to the environment, which entailed certain investments and expenses which are indicated below.

The main cumulative investments, by company, in plant, machinery and equipment added to fixed assets and aimed at protecting and enhancing the environment, and the related cost and accumulated depreciation in 2017 and 2016 are as follows:

				(in thousands of euros)
	2017		2016	
Company	Cost	Amortisation Accumulated	Cost	Amortisation Accumulated
Cementos Molins Industrial, S.A.U.	23,618	10,693	22,784	9,926
Promotora Mediterránea-2, S.A.	8,169	6,549	11,566	7,241
Prefabricaciones y Contratas, S.A.U.	-	-	498	324
Propamsa, S.A.U.	1,850	1,310	1,843	1,231
Cementos Avellaneda, S.A.	2,575	1,571	3,438	1,910
Sotacib (Tunisia)	381	210	839	335
	36,593	**20,333**	**40,968**	**20,967**

The main expenses incurred with the aim of protecting and enhancing the environment in 2017 and 2016, by company, were as follows:

	(in thousands of euros)	
	2017	**2016**
Company	Ordinary expenses	Ordinary expenses
Cementos Molins Industrial, S.A.U.	487	304
Prefabricaciones y Contratas, S.A.U.	-	88
Propamsa, S.A.U	21	13
Cementos Avellaneda, S.A.	157	164
	665	**569**

The foregoing expense items consisted of: waste disposal, water, air and noise measurements, forest repopulation activities, studies and audits.

35. Subsequent events

No significant events that might have a material impact on the Group's equity have taken place since the end of 2017, with the exception of what has been included in Note 30.

ANNEX I

Group companies:

	Name / Address	Activity	Participation percentage Direct	Indirect	Total	Capital	Net result	Other shareholders's equity	Total shareholders' equity	Dividends received
						(thousands of euro)				
(A)	CEMENTOS MOLINS INDUSTRIAL, S.A.U. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Cement	100	-	100	56,247	(3,911)	82,719	135,055	674
(A)	PROMOTORA MEDITERRÁNEA-2, S.A. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Concrete and aggregate	98.94	-	98.94	36,148	987	45,667	82,802	
(A)	PREFABRICACIONES Y CONTRATAS, S.A.U. Espronceda, 38, local 3 28003 - Madrid	Prefabricate	100	-	100	56,577	880	(5,961)	51,496	
(A)	PROPAMSA, S.A.U. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Construction materials	100	-	100	469	1,771	19,694	21,934	
(A)	CEMOLINS INTERNACIONAL, S.L.U. Espronceda, 38, local 3 28003 - Madrid	Holding	100	-	100	30,468	77,728	234,898	343,094	83,561
(H)	CEMOLINS SERVICIOS COMPARTIDOS, S.L.U. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Services	100	-	100	2,037	(366)	(45)	1,626	
(H)	CEMOL CORPORATION, B.V. Naritaweg, 165 1043 BW Amsterdam (Holland)	Holding	-	100	100	16,032	142	4,219	20,393	
(A)	MINUS INVERSORA, S.A. Reconquista, 336, 3º H 1335- Buenos Aires (Argentina)	Holding	4	96	100	534	13,320	21,196	35,050	1,869
(A)	CEMENTOS AVELLANEDA, S.A. Defensa, 113, 6º 1065 - Buenos Aires (Argentina)	Cement	-	51	51	2,947	57,443	90,347	150,737	
(A) (F)	SOCIÉTÉ TUNISO ANDALOUSE DE CIMENT BLANC, S.A. "Sotacib" Immeuble Alyssa Angle rue du Lac Tanganyika et le pasage du Lac Neusie Les Berges du Lac, 1053 -Tunisia	Cement	-	66.94	66.94	47,331	(2,488)	(25,748)	19,095	
(A) (F)	SOTACIB KAIROUAN, S.A. 6 Rue IBN - Hazm Cite Jardins Le Belvédère 1002 - Túnez	Cement	-	69.97	69.97	67,137	(2,004)	(12,284)	52,849	
(H)	PROMSA DEL BERGUEDÀ, S.L. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Concrete	-	50.46	50.46	400	24	(195)	229	
(H)	MONSO-BONETA, S.L. Pallars, 15 25620 - Tremp (Lleida)	Aggregate	-	79.17	79.17	72	(13)	1,241	1,300	
(H)	PRECON (LINYI) CONSTRUCTION CO., LTD Yihe Road, Economic developing District of Linyi Shandong Province (China)	Prefabricate	-	100	100	4,178	(1,786)	(3,945)	(1,553)	
(A)	SANTA PAMELA, S.A.U. Defensa, 113, 6º 1065 - Buenos Aires (Argentina)	Cement	-	51	51	122	26	41	189	
(H)	CATPRECON, S.L. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Prefabricate	-	67	67	50	125	114	289	
(H)	PRONATUR ENERGY 2011, S.L. CN-340, km. 1242,300, nº 2-38 08620 - Sant Vicenç dels Horts (Barcelona)	Services	-	98.94	98.94	2,000	417	(562)	1,855	

The above companies belong to the Group through ownership of the majority of the voting power. They were fully consolidated.

ANNEX II

Associates and multigroup:

(thousands of euros)

	Name / Address	Activity	Participation percentage Direct	Indirect	Total	Capital	Net result	Other shareholder's equity	Total shareholders' equity	Dividends received
(A)	FRESIT, B.V. Johannes Vermeerplein, 11 1071 - DV Amsterdam (Holland)	Holding	-	50	50	6,795	109,355	118,714	234,864	88,104
(A)	PRESA INTERNATIONAL, B.V. Johannes Vermeerplein, 11 1071 - DV Amsterdam (Holland)	Holding	-	50	50	7,900	32,245	162,123	202,268	25,984
(G)	CEMENTOS ARTIGAS, S.A. María Orticohea 4704 Montevideo (Uruguay)	Cement	-	49	49	28,247	7,791	28,357	64,395	
(G)	COLINA JUSTA, S.A. Rambla República de Chile, 4511 Montevideo (Uruguay)	Services	-	49	49	7	(1)	(8)	(2)	
(G)	FRESH MARKETS, S.A. María Orticohea 4704 Montevideo (Uruguay)	Services	-	49	49	12	(0)	28	40	
(G)	EROMAR, S.A. María Orticohea 4704 Montevideo (Uruguay)	Cement	-	49	49	1,115	(51)	(543)	521	
(G)	MONDELLO, S.A. María Orticohea 4704 Montevideo (Uruguay)	Services	-	49	49	1,067	(19)	(190)	858	
(C)	CORPORACIÓN MOCTEZUMA, S.A.B. de C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Holding	-	33.33	33.33	7,268	220,538	212,802	440,608	
(C)	CEMENTOS PORTLAND MOCTEZUMA, S.A. de C.V. Carretera Tezoyuca - Tepetzingo, km. 1.9 Municipio Emiliano Zapata 62765 - Estado de Morelos (México)	Services	-	33.33	33.33	2	877	652	1,531	
(C)	CEMENTOS MOCTEZUMA, S.A. de C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Cement	-	33.33	33.33	47,952	212,478	122,246	382,676	
(C)	LATINOAMERICANA DE CONCRETOS, S.A de C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Concrete	-	33.33	33.33	39,172	(66)	4,666	43,772	
(C)	INMOBILIARIA LACOSA. S.A. de C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Real Estate	-	33.33	33.33	2,124	364	3,527	6,015	
(C)	LATINOAMERICANA DE COMERCIO, S.A. de C.V. Carretera Tezoyuca - Tepetzingo, km. 1.9 Municipio Emiliano Zapata 62765 - Estado de Morelos (México)	Services	-	33.33	33.33	457	668	1,077	2,202	
(C)	LACOSA CONCRETOS, S.A. de C.V. Carretera Tezoyuca - Tepetzingo, km. 1.9 Municipio Emiliano Zapata 62765 - Estado de Morelos (México)	Services	-	33.33	33.33	468	625	1,471	2,564	
(C)	CONCRETOS MOCTEZUMA DE XALAPA, S.A. de C.V. Calle B, Isla B, Bodega 7 Balcones de Xalapa 91194 - Xalapa . Veracruz	Concrete	-	20.00	20.00	424	30	1,414	1,868	
(C)	MAQUINARIA Y CANTERAS DEL CENTRO. S.A. de C.V. Avda.Molier, 328 , número 328, Dpto. 602 Colonia Los Morales Sección Palmas Dir. Miguel Hidalgo 11540 - México D.F.	Aggregate	-	17.00	17.00	831	(111)	59	780	
(C)	CONCRETOS MOCTEZUMA DEL PACÍFICO, S.A. de C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Concrete	-	28.33	28.33	1,250	(281)	(47)	922	

			Participation percentage							(thousands of euros)
	Name / Address	Activity	Direct	Indirect	Total	Capital	Net result	Other shareholder's equity	Total shareholders' equity	Dividends received
(C)	CONCRETOS MOCTEZUMA DE JALISCO, S.A. de Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Concrete	-	17.00	17.00	4	(46)	(581)	(623)	
(C)	CEMOC SERVICIOS ESPECIALIZADOS, S.A. de C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Services	-	33.33	33.33	2	4,217	7,857	12,076	
(C)	CYM INFRAESTRUCTURA , S.A.P.I. DE C.V. Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec Dir. Miguel Hidalgo 11000 - México D.F.	Infrastruc-tures	-	16.67	16.67	4,245	1,605	(3,117)	2,733	
(B)	ESCOFET 1886, S.A. c/ Montserrat, 162 08760 – Martorell	Prefabricate	-	36.73	36.73	1,602	(511)	7,072	8,163	
(H)	ESCOFET PAVIMENT, S.L.U. c/ Montserrat, 162 08760 – Martorell	Pavements	-	36.73	36.73	217	(90)	76	203	
(H)	ESCOFET PRETECNO, S.A. DE C.V. Carretera Federal Libre Cancún Chetumal km.328 Cancún Puerto Morelos, Quintana Roo, 77580 - Mexico	Prefabricate	-	18.37	18.37	18	(28)	3	(7)	
(H)	PORTCEMEN, S.A. Moll Contradic Sud, s/n – Port Autònom Barcelona 08039 – Barcelona	Services	33.33	-	33.33	3,736	90	136	3,962	
(H)	MONTASPRE SERVEIS AMBIENTALS, S.L. Barri La Garriga, s/n 17481 – Sant Julià de Ramis (Girona)	Services	-	49.47	49.47	7	59	237	303	
(H)	PROMOTORA DE FORMIGONS, S.A. Carretera de la Comella, 11 AD 500 – Andorra la Vella	Aggregate	-	49.47	49.47	300	26	126	452	
(H)	TÈCNIQUES AMBIENTALS DE MUNTANYA, S.L Zona Industrial Sant Marc -P.S Sant Marc, Nau 4 17520 - Puigcerdà (Girona)	Services	-	49.47	49.47	6	5	212	223	
(H)	GRANULATED RUBBER PROJECT S.L. Avinguda Pirelli, s/n 08241 - Manresa (Barcelona)	Services	-	32.98	32.98	453	161	53	667	
(H)	VESCEM-LID, S.L. c/ València, 245, 3r 5ª 08009- Barcelona	Services	-	25	25	200	(3)	(52)	145	
(A)	SURMA HOLDING, B.V. Strawinskylaan, 3127 1077 ZX - Amsterdam (Holanda)	Holding	-	50	50	28,636	6,632	46,573	81,841	7,903
(D)	LAFARGEHOLCIM BANGLADESH LTD 65 Gulshan Avenue, Gulshan -1 Dhaka 1212 (Bangladesh)	Cement	-	29.45	29.45	117,095	5,505	14,501	137,101	
(E)	LAFARGE UMIAM MINING PRIVATE LTD Hotel Polo Tower, Polo Ground Oakland Road Shillong 793001, Meghalaya (India)	Mining activity	-	29.45	29.45	5,365	7,542	10,439	23,346	
(E)	LUM MAWSHUN MINERALS PRIVATE LTD Hotel Polo Tower, Polo Ground Oakland Road Shillong 793001, Meghalaya (India)	Services	-	21.79	21.79	7	(2)	(20)	(15)	
(F)	SOCIÉTÉ TUNISIENNE DE TRANSPORT EN VRAC-STTV 22, Avenue Taieb Mhri 1240 - Feriana Kasserine (Túnez)	Transport	-	23.43	23.43	257	(68)	(453)	(265)	
(H)	YACUCES, S.L. Carretera Fuencarral-Alcobendas, Km. 3,800 28108 - Alcobendas (Madrid)	Holding	-	49	49	7,220	(7)	56,853	64,066	
(G)	ITACAMBA CEMENTO, S.A. Av. Brasil, entre Segundo y Tercer Anillo Parque Industrial Liviano, Santa Cruz de la Sierra (Bolivia)	Cement	-	32.67	32.67	65,826	3,176	16,179	85,181	
(G)	GB MINERALES Y AGREGADOS, S.A. Av. Brasil Calle 1 nº S/N Zona: This Santa Cruz de la Sierra (Bolivia)	Services	-	49.00	49.00	10,675	255	(1,269)	9,661	
(A)	EMPRESA COLOMBIANA DE CEMENTOS SAS CR. 48 NRO. 72 SUR 01 , municipio de Sabaneta Antioquia (República de Colombia)	Services	-	50.00	50.00	17,200	433	70,041	87,674	
(A)	INSUMOS Y AGREGADOS DE COLOMBIA SAS CR. 49 NRO. 72 SUR 01 , municipio de Sabaneta Antioquia (República de Colombia)	Mining activity	-	50.00	50.00	7,690	(187)	30,822	38,325	

The data were provided by the entities and their equity position is as shown in their Individual Financial Statements as of 31 December 2017.

The dividends relate to the dividends received by the various companies.

These companies were accounted for using the equity method (see Note 2).

The foregoing figures were translated to euros at the year-end exchange rates of their respective currencies, except for "Net Result", which was translated at the average effective exchange rate.

The company Corporación Moctezuma, S.A.B. de C.V. is listed on the Mexican stock market. On the other hand, LafargeHolcim Bangladesh Ltd. is listed on the stock markets of Dhaka and Chittagong.

The financial statements of these companies were audited by:

A = Deloitte, S.L.
B = RSM Spain Auditores, S.L.P.
C = Mancera S.C. (Ernst & Young)
D = Hoda Vasi Chowdhury & Co (Deloitte)
E = Deloitte Haskins and Sells
F = KPMG
G = PricewaterhouseCoopers
H = Non-audited Financial Statements (without obligation to be audited)

CONSOLIDATED MANAGEMENT REPORT 2017

CONSOLIDATED FINANCIAL REPORT

With 90 years experience in the cement industry field, **Cementos Molins Group** develops its activities in Spain, Argentina, Uruguay, Mexico, Bolivia, Colombia, Tunisia, Bangladesh and India. In addition to cement, it also takes part in the business of concrete, aggregates, concrete prefabs, special mortars and adhesive cements, as well as environmental activities.

The results for the Cementos Molins Group in the year 2017 consolidate a growth trend that started four years ago. On the one hand, this growth is the result of the performance of the business abroad, especially the results obtained in Mexico and Argentina; and on the other hand, in the improvement of the operating results in Spain, which benefit from the increase in volume and efficiency of the plants, in a market that is slowly recovering.

The **Consolidated Turnover** increases by 15% with respect to that of 2016, reaching 645.6 million euros. The Turnover of the international companies has increased by 16%, and mainly from the Argentine subsidiary Cementos Avellaneda whose sales have increased by 23% when compared with the year 2016. The companies based in Spain have increased their turnover by 13.5%, especially in the concrete and aggregates sector.

The **Operating Result** has reached 73 million euros, 30 million euros higher than that of 2016. The companies located in Spain have improved their operating results by 51%. The international business of the Group brings 77 million euros. Currency depreciation, especially the Argentine peso, has had a negative effect in the result in 13 million euros.

The **Equity Method Companies** have registered a result of 79 million euros, 1.3% higher than that of the previous year. The improvement in the results regarding the year 2016, thanks to our subsidiary in Mexico, are compensated in part due to lower results in Bangladesh and Bolivia, and also due to the negative effect of the depreciation of the Mexican peso. Without this exchange rate effect, the result of the companies consolidated by the equity method would have grown by 5%. Based on this consolidation method, the Group has incorporated the results of its businesses in Mexico (Corporación Moctezuma), Uruguay (Cementos Artigas), Bangladesh (LafargeHolcim Bangladesh), Bolivia (Itacamba Cementos) and Colombia (Ecocementos).

A **Consolidated Net Result** of 89 million euros has been registered for 2017, 39.5% higher than that obtained the previous year. The Group's international companies bring a net benefit of 100 million euros, with a 8.6% improvement compared to the year 2016, while the companies located in Spain improve in 17 million euros compared to the year 2016, which included a negative impact arising from the application of Royal Decree 3/2016 of 2 December, which limited the recovery of the negative tax bases from previous years and which had a negative impact on the income statement of the year 2016 of 12.5 million euros.

Thousands of euros

Years	2013	2014	2015	2016	2017
Consolidated Net Result	**10,109**	**30,811**	**50,833**	**63,869**	**89,078**
Spanish companies	-46,629	-27,675	-13,122	-28,379	-11,139
Foreign companies	56,738	58,486	63,955	92,248	100,217
Dividends for the financial year	**9,256**	**10,579**	**12,562**	**15,206**	**16,529**

With regards to Investments, the growth projects that are underway in Colombia, Argentina and Bangladesh are particularly noteworthy:

• In December 2016, the works for the construction of a new cement production plant in the municipality of Sonsón, Antioquia (Colombia) began, in partnership with the Colombian group Corona. Its start-up is expected for the first quarter of 2019. The planned investment is approximately 370 million USD.

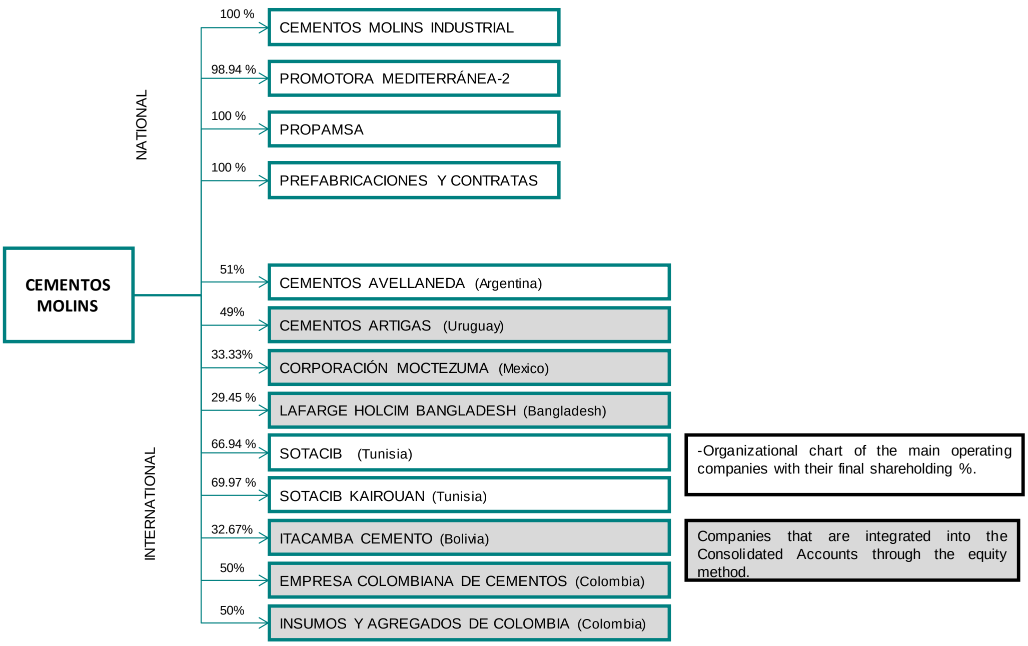
• Project to increase the capacity of the plant the Group has in San Luís, Argentina, in 700 thousand annual tones of cement in order to reach one million tones from the second quarter of 2019. A 200-million-dollar investment has been planned.

• In December 2016, LafargeHolcim Bangladesh (Bangladeshi investee company of Cementos Molins Group and LafargeHolcim Group) reached an agreement with LafargeHolcim Group for the purchase of 100% of the shares in Holcim Cement (Bangladesh), whose main assets are three cement milling plants located in Bangladesh with a production capacity of 2.2 million tonnes of cement per year. After receiving the authorisation of the Bank of Bangladesh, on 7 January 2018 we have proceeded to close the transaction. The final purchase price was 60 million USD.

A **total consolidated net equity** of 726 million euros has been registered which is almost identical to that of 2016. The negative equity impact of the conversion differences arising from the devaluation of the currencies in the countries where the group operates is 91 million euros, mainly due to the devaluation of the Argentine peso, the Tunisian dinar and the Mexican peso.

MANAGEMENT INFORMATION

Cementos Molins Group (hereinafter "the Group" or "Cementos Molins") is actively involved in the management of the companies that it accounts for through the equity method, whether in conjunction with another shareholder or by means of a relevant participation in their decision-making bodies. The current corporate structure is basically as follows:



Following the guidelines and recommendations of the European Securities and Markets Authority (ESMA), whose objective is to promote the usefulness and transparency of the Alternative Performance Measures that are included in the regulated information or in any other information submitted by the listed companies, the information that is included in the following sections is based on the application of the proportionality criterion in the consolidation method of its investees, applying the final shareholding percentage in each one of them. This way, the Group deems that the management of the businesses and the way their results are assessed for the decision-making process are reflected in a suitable way.

Therefore, the following parameters are defined in the following sections of the report as:

- "Income": Turnover reported in the individual and consolidated financial statements of the different companies accounted for in the consolidation perimeter, multiplied by the shareholding percentage in each one of them.
- "EBITDA": Operating result before amortizations, and results for the impairment and sale of assets of the different companies accounted for in the consolidation perimeter, multiplied by the shareholding percentage in each one of them.
- "Net financial debt": Financial debt after subtracting the treasury, temporary financial investments and long-term deposits of the different companies accounted for in the consolidation perimeter, multiplied by the shareholding percentage in each one of them. When there are cash surpluses, it is indicated with a negative sign.
- "Volumes": Physical units sold from the different companies included in the consolidation perimeter (without withdrawing internal sales), multiplied by the shareholding percentage in each one of them.

In order to provide information to facilitate the monitoring of the evolution of the Group, find below, and under this criterion, the following parameters:

Thousands of euros

		2013	2014	2015	2016	2017
Income		**613,988**	**635,310**	**746,581**	**690,823**	**779,154**
	Spanish companies	170,065	192,959	205,425	207,249	233,817
	Foreign companies	443,923	442,351	541,156	483,574	545,337
EBITDA		**107,014**	**127,434**	**164,853**	**168,371**	**192,948**
	Spanish companies	-12,469	6,076	12,467	10,881	14,524
	Foreign companies	119,483	121,358	152,386	157,490	178,424

Consolidation of companies based on their final shareholding percentage.

Contributions of the consolidated figures of the Income and the EBITDA:

INCOME

M€	31/12/2017	31/12/2016	variation %	% variation constant ER
Spain	233.8	207.5	12.7%	
Argentina	175.6	142.4	23.3%	42.5%%
Uruguay	34.8	35.6	(2.1%)	(3.7%)
Mexico	232.3	203.9	13.9%	18.2%
Bolivia	19.3	10.5	83.9°%	90.8%
Bangladesh	34.3	36.5	(6.1°%)	(.2%)
Tunisia	49.1	54.4	(9.8%)	2.9%
Other	-	-		
Total	779.2	690.8	12.8%	19.3%

EBITDA

M€	31/12/2017	31/12/2016	variation %	% variation constant ER
Spain	25.4	19.7	29.0%	
Argentina	43.4	30.3	43.0%	65.0%
Uruguay	8.5	7.0	21.3%	19.5%
Mexico	109.8	97.5	12.7%	17.0%
Bolivia	3.0	0.3	841.3%	878.9%
Bangladesh	6.6	11.9	(44.8%)	(41.8%)
Tunisia	8.3	11.1	(25.1%)	(14.1%)
Other	(12.1)	(9.4)	(28.0%)	(28.3%)
Total	192.9	168.4	14.6%	21.9%

With a proportionality criterion, the Group has registered an **Income** of 779 million euros, 12.8% higher than in 2016. This increase has taken place in Argentina, Spain, Mexico and Bolivia, the latter because it is the first full operational year of the new plant. On the other hand, there has been a decrease in Uruguay, Bangladesh and Tunisia. At a stable exchange rate, the income of the Group would have increased by 19% compared to the year 2016.

The companies of the Group sold, during 2017, a volume of 5.6 million tonnes, between cement, a 6.5% higher than that of the previous year with a positive contribution of all the countries to the exception of Bangladesh.

As for concrete, 1.6 million cubic meters have been commercialised, 6% more than the amount registered the previous year; with growth in all the countries, to the exception of Uruguay and Mexico.

Regarding the aggregate business, a 42.6% increase in the sales volume was registered in Spain. On the other hand, the sales in our prefabs field reached 68 million euros, a 11% increase if compared to 2016, mainly for the increase in public works activity.

The **EBITDA** has reached 193 million euros and it represents and improvement of 14.6% in regards to the year 2016. By countries, it is worth mentioning the greater positive contributions to the results of Mexico, Argentina, Spain, Uruguay and Bolivia. On the other hand, Tunisia and Bangladesh experience decreases compared to the previous year. At a stable exchange rate, the income of the Group would have increased by 22% compared to the year 2016.

The Group's **net debt** stood at 146 million euros as of 31 December 2016, declining by 42 million euros with respect to December 2016.

MANAGEMENT REPORT PER GEOGRAPHICAL SEGMENT

SPAIN

The growth of the Spanish economy remains high, favoured by a global economy in acceleration. Based on the latest forecasts, the Gross Domestic Profit (GDP) grew by 3.1% in 2017. By doing so, Spain would register its third consecutive year of activity growth, and in 2017 it would recover the GDP prior to the crisis.

The growth rate remained in relatively high registers thanks to the positive evolution of the global economy and, in particular, the strength of the recovery of the Eurozone, which has boosted the Spanish foreign trade. The good performance of the foreign trade sector is one of the reasons of the recovery, although the good results in consumption have also helped, while the investment retakes momentum and little by little the activity in the construction sector is awakening.

We close a year that has been very positive year for the labour market. In the annual average, the number of employed persons increased in 483 thousand, the number of unemployed persons was reduced in over half a million and the unemployment rate was reduced in 2.4 points.

The inflation stood at 1.1%, decreasing in regards to that registered in the year 2016 which closed at 1.6%

Cementos Molins Industrial, S.A.U.

Cementos Molins Industrial bases its activity on the production and marketing of cement, both portland and calcium aluminate, through their plant located in Sant Vicenç dels Horts.

In 2017 the cement market in Spain has returned to the positive trends that started in 2014 and stopped in 2016. In this financial and market context, our sales, in volume, have increased by 14.3%.

The improvement of the domestic market of portland cement has allowed us to increase significantly the cement volume without ceasing to take part in foreign markets where we have supplied all the surplus not absorbed by the domestic market. However, during the year we have also suffered the negative effects of the volatility of the exchange rates that configure our access prices to international markets, penalising our margins and reducing the profitability and competitiveness of the business.

Clinker exports have improved by 1.6% compared to 2016, but with a fall on the sale prices of the international market. The great surplus of the main plants in Turkey has caused a fall on the sale prices of all the producers of the Mediterranean area. However, we expect a general improvement of the sale prices for 2018.

The global market for calcium aluminate cement (CAC) is growing moderately in relation to previous years. The two big sectors that deal with this cement, which are the refractory and the chemistry in construction, are behaving in very different ways. While the chemistry in construction is growing both in mature markets as well as in new markets, the refractory sector is in recession.

Our CAC sales have increased by 2%. In 2016 we saturated the production capacity of the plant and in 2017 we had a similar behaviour.

In 2017, the sales of Cementos Molins Industrial amounted to 79.7 million euros, which represents an increase of 6.6% compared to the previous year. The turnover of the national market, 45.3 million euros, has been higher than that of the export, 34.4 million euros, a reality we had not experienced since 2013.

The variable margins of the portland products sold in the national market has been reduced slightly compared to the previous year. The penalisation of the margin comes from the volatility in the energy costs markets (electricity and fuels) which this year has had a significant impact on our variable costs; on the other hand, we have experienced a positive effect from the increase in the sales prices (for the first time in two years), although this improvement has not compensated the impacts on the costs previously mentioned.

The variable margins of the sales of exported clinker have suffered a drastic reduction (-41.4% compared to the previous year) because of the increase in costs mentioned, to which one must add a downwards price due to the strong competition of the markets we operate in, together with an exchange rate USD/€ unfavourable to our interests.

The decrease in variable margins shows in the profit and loss account and has disguised the best technical data of the kiln from the moment it started running in 2010; at total production level and at production performance level (5.9% and 3.6% in relation to the previous year respectively) as well as usage and availability ratios never reached before, thus causing a production of portland cement 13.8% higher than the previous year.

We continue favouring the consumption of alternative fuels, reaching this year an average replacement percentage over 34%.

In view of the above, we see in our results a reduction of the EBITDA by 22% compared to the previous year, thus reaching 12 million euros.

The investments in 2017 have amounted to 2.1 million euros, emphasising the Storage and dosage facilities of NFU's (Disused Tyres) as fuel in the pre-calcination tower, the new decalcification system for the internal circuit of cooling water, the replacement of start-up medium voltage cabins of the cement mills and the improvement of the filtration system of the in-cooked silo.

Thousands of Euros

CMI SA	2013	2014	2015	2016	2017
Sales	67,446	71,224	75,058	74,872	79,744
EBITDA	7,362	10,386	16,123	15,400	12,010

Promotora Mediterránea-2, S.A. (PROMSA)

PROMSA's activity focuses on the production and marketing of concretes, aggregates, mortars and construction services, in this last line of services it incorporates a pavements division and other concrete structures. It also has an environmental business area, specialised in recycling, waste recovery and the production of alternative fuels. The company mainly operates in the Catalan market, in which it has 33 active production facilities.

The market in 2017 has experienced a strong push due to the generalised recovery of the economy. It is worth mentioning the growth of residential building that, in 2017, has behaved very well. The industrial logistics and agri-food sector has increased the demand, which has also represented a growth in the non-residential edification, although lower than the residential one. The negative note comes from civil engineering, which in Catalonia remains at minimum levels without great signs of recovery.

In this scenario of recovery, prices and margins have improved.

PROMSA's turnover has reached 65 million euros during 2017, a 26% increase when compared to the previous year. In general, this increase has affected all the business lines, which also contributes to the increase of the perimeter for all the new investments carried out at the end of 2016 in the environmental division.

Once again, PROMSA has been present in all the relevant main works of the market, emphasising the completion of Amazon logistics centre in Prat del Llobregat, the railway works to connect Barcelona with the airport (Shuttle) which will continue in 2018, and the second expansion stage of the Moll Adosat in the Port of Barcelona.

The sharp growth of the turnover, together with the contention of operative and structural works, has had a positive impact on the improvement of the results of the company. The EBITDA has reached 4.2 million euros, improving by 7.3 million euros when compared with the previous year.

The investments carried out during this year have been mainly allocated to maintain and improve the environmental and security conditions of the production facilities, as well as the renewals of the transport fleet.

In regards to the geolocalisation and quality assurance of its products, PROMSA has started working to installing sensors in the transport units to optimise its logistic resources and ensure the traceability of the production process of the concrete until it is unloaded on the site.

Thousands of Euros

PROMSA	2013	2014	2015	2016	2017
Sales	36,921	38,685	48,142	51,392	64,865
EBITDA	-8,946	-1,504	396	-3,128	4,187

Consolidation of the companies belonging to the PROMSA Group based on their final shareholding percentage.

Prefabricaciones y Contratas, S.A.U. (PRECON)

PRECON's activity focuses on projecting, producing and marketing in a customised way a wide range of concrete prefabs for the construction of buildings in general, public works and railway lines. The company produces in nine plants located around the Spanish territory.

The Company's turnover for the year 2017 has increased by 11% in comparison to the previous year, reaching 68 million euros, although with uneven behaviour among the business lines.

The Edification activity in PRECON increased by 1%. Since it is linked to the private sector, the company has been able to consolidate its sales by continuing with its policy to reinforce and/or include important unique clients. It is worth mentioning the construction of a new service building in the central headquarters of Inditex in Arteixo (La Coruña), Amazon's logistics centre in Prat de Llobregat (Barcelona), the expansion of the plant of Ibertissue in Buñuel (Navarra), the aluminium containers plant for Ball Beverage Packaging in Cabanillas del Campo (Guadalajara), the logistics Warehouse - Prologic Park in San Fernando de Henares (Madrid), the logistics warehouse for DHL Express in San Fernando de Henares (Madrid), the building for offices and warehouse of Michelin in Vitoria (Álava), the multi-floor building for the shopping centre Terrassa Plaça in Terrassa (Barcelona) and the Shopping Centre for Leroy Merlin, in Lliça d'Amunt (Barcelona).

The sales in Civil Works have increased by 146% in regards to the previous year, due to an increase in the volume of execution of public works during this year, after the halt and delay of actions due to the lack of government in 2016, in a general context of control over public deficit. As singular woks it is worth mentioning the viaducts for the A-21 motorway Section Jaca - Santa Cilia in Huesca, the bridges for the N-332 road to Sueca (section II road to Cullera and Favara) in Valencia, the viaducts for the L.A.V. Madrid-Extremadura Section Arroyo de la Charca - Grimaldo in Cáceres, the bridges for the motorway SE-40 sub-section Dos Hermanas - Alcalá de Guadaira in Seville, the viaducts for the A-23 motorway Sector Calderenas -. The Warehouse in Huesca and the viaducts for the Motorway Conversion works of the CG Corredor del Morrazo CG-4.1 in Pontevedra.

PRECON's activity in railway products has decreased by 35% compared to the previous year, due to the decline in the volume of tenders and awards of ADIF projects, which started in 2015 and continued in 2016, for the supply of sleepers to the AVE Network, Mediterranean Corridor and other railway lines.

The year 2017 has been marked by a slight recovery of the sale prices in a scenario of low level prices. This situation, along with a greater productive activity volume and the contribution of the continuous improvement measures for the processes and supply to plants and projects, have created an improvement in the operating margins of the company compared to the previous year.

In 2017, a 5.4 million euros EBITDA has been reached, which represents an increase of 29% compared to 2016.

During the year 2017, 1.3 million euros worth of investments were carried out. They have been mainly allocated to the improvement of the productivity of the plants, capacity increases, the improvements in the occupational risk prevention, product quality and to the maintenance of the facilities.

Thousands of euros

PRECON	2013	2014	2015	2016	2017
Sales	47,433	62,770	61,089	61,144	68,014
EBITDA	-5,661	2,082	2,473	4,198	5,396

Propamsa, S.A.U.

PROPAMSA is a company of Cementos Molins Group engaged in chemical specialties for construction. With vast experience in the chemistry of the cement and its application. 2017 marked the 85th anniversary of the brand PAM. Our technicians have developed a range of products that allow us to offer new solutions that combine the chemistry of the cement with that of the polymers to provide new market solutions.

PROPAMSA's business focuses on the technical assessment and the sale of solutions and products for the construction, both for new structures and restorations. Our wide range of products includes the following applications: pavements, placement of ceramics, lime coatings, external heat and sound insulation, repair and reinforcement of concrete structures and waterproofing systems.

The location of our five plants in Barcelona, Guadalajara, Seville, Pontevedra and Valencia, and the two logistics centres in Palma de Mallorca and Vizcaya, allow us to provide an excellent distribution service to our client in the domestic market.

In 2017, the Spanish market has continued to grow. We estimate we will finish around 43 thousand homes in the new-build market and in the restoration market there has been an improvement thanks to the growth in household consumption.

PROPAMSA focuses on pursing value and the improvement of margins, while keeping its differentiation and quality standards, by providing technical support to its distributors and new products.

It is worth noting that this year there has been significant growth in the sales of BETEC special mortars, due to important restoration works on buildings and renovations in public works.

The sales volume outside Spain increased by 10% and in 2017 it has represented 6% of the total sales.

In France and Portugal it has continued with the development of the Commercial Plan, reinforcing the workforce in own sales with commercial agreements in other areas of these countries. Regarding exports outside the EU, it has entered into new contracts and agreements with agents, which allows for the results to grow without great investments.

In 2017, PROPAMSA has taken part in the Construmat and Cevisama (International Fair for Ceramic Tiles in Valencia) fairs and in the Andimac Congress. Moreover, it has been present in the 3rd edition of the Open House Madrid and has taken part in the annual conferences organised by the different purchase groups. It has continued to offer training sessions and practical demonstrations in their facilities and it has cooperated in training sessions with Professional Colleges.

It has fully renewed its website, by integrating it with the corporate branding of Cementos Molins Group, thus making it easier to locate products and solutions. Moreover, it has published several videos of the products in YouTube, to be shown as a demonstration on how to apply the products, and it is actively present in social networks, showcasing the products and their applications.

The main investment in 2017 has been the replacement of the mixer and the dosage system of the group two of the plant in Sant Vicenç dels Horts. This update has implied a planned three-month standstill of the facility.

The financial results show continuity in the sales growth line, which has represented, in 2017, a 10% increase up to 36 million euros. With these sales and the improvement of the sold products mix, the EBITDA has improved significantly and has reached 3 million euros.

Thousands of euros

PROPAMSA	2013	2014	2015	2016	2017
Sales	23,949	26,336	30,530	32,675	35,988
EBITDA	154	1,098	1,510	2,113	3,017

ARGENTINA

The financial activity in Argentina kept a good trend during 2017. According to the information published by the National Institute of Statistics and Censuses (INDEC, in its Spanish acronym), the preliminary forecast of the Gross Domestic Profit (GDP) for the third quarter of 2017 obtained a positive variation of 4.2% compared to the same period of the previous year. According to private forecasts, 2017 could close with a positive GDP variation of 3%.

The Internal Wholesale Price Index (IPIM, in its Spanish acronym) experienced a 18.9% increase compared to the previous year and the Consumer Price Index (CPI) compiled by the INDEC increased by 24.7%.

Furthermore, according to the Construction Activity Indicator (ISAC, in its Spanish acronym), the construction sector has accumulated, as a whole, during the first eleven months of 2017 a 12.6% increase compared to the same period of the previous year.

In the international context, in 2017 the US dollar depreciated in relation to other currencies. In Argentina, given the macroeconomic circumstances of the country, the value of the American currency registered a 17.4% increase in the year, which also represents a depreciation of the dollar against the peso in realm terms taking into account the 24.7% inflation mentioned before. The value at closing, 31 December 2017, was 18.6 ARS/USD.

The result of the legislative elections of 2017 was highly favourable for the National Government, which strengthened its political capital. This has made it possible to start a cycle of structural reforms. In this context, the Congress of the Argentine Nation passed at the end of 2017 the pension reform law and a change package on taxes.

Based on the change in the inflation goals announced by the Government at the end of 2017, private analysts forecast that in 2018 the CPI will experience an increase of around 18%. Consumption will remain stable and the financial activity will grow at a rate similar to that of 2017.

Cementos Avellaneda, S.A.

Cementos Avellaneda S.A. is an Argentine company that produces and trades in portland cement, mortar, lime, adhesive cement and concrete. It has two cement plants and six operative concrete plants and three mobile ones.

The cement market in Argentina has an interannual growth of 12%, having reached 12.1 million tonnes. It is estimated that the consumption levels per capital was 275 kg.

The plant in Olavarría has had during 2017 an excellent performance in both kilns, having reached a clinker production of 1.9 million tonnes. Moreover, we maintain the challenge to improve the productivity of the lime kilns to meet the growing demand on this product.

The plant in San Luís has achieved in 2017 an excellent performance of its kiln, and has even reached and stabilised values of over 40% of thermal replacement for alternative fuels, even reaching a replacement of 60% in some months.

The concrete has been supplied to important works such as the airport in Ezeiza, the Paseo del Bajo, works in Riachuelo, the ringroad of Bahía Blanca and wind farms, among other. 2017 has been a good year, boosted by the significant volume of public works of the Government's Infrastructure Plan, both nationwide and in the province of Buenos Aires.

As for the commercial management, it has intensified its efforts to successfully serve its clients in a high demand market, importing significant volumes from Uruguay, especially during the last months of the year.

In 2017 the company work toward the modernisation and suitability of the information systems such as the migration from the commercial system to SAP, the implementation in concrete of the management application Command Alkon, as well as a new website for clients and commercial inspectors. In the industrial area, a new strategy was designed to ensure the "non-stop" operation of the IT processes team.

The sales in 2017 reached 344 million euros and the EBITDA was 85 million euros, which represents a 43% increase compared to the level reached in 2016.

As for the investments, the firm intention to support the growth of the Argentine market by increase the production capacity of the plant in San Luis. Moreover, the clay additions project in the plant of Olavarría will allow the production of a new product in 2018, the Compound Portland Cement (CPC).

During 2017, the "Compliance Programme" (defence of competition and anti-corruption), the Corporative Governance policies and the new Ethics Code were developed, thus initiating the dissemination and training process on these issues.

Thousands of euros

C. AVELLANEDA	2013	2014	2015	2016	2017
Assets	163,738	184,414	187,256	205,899	221,471
Own Funds	112,371	125,041	124,940	135,947	142,307
Sales	284,620	251,132	344,501	279,575	344,457
EBITDA	51,284	41,215	65,288	59,491	85,085
Net profit	30,690	26,466	46,347	40,929	56,486

Data corresponding to 100% of the Investee company

URUGUAY

The Uruguayan economy experienced in 2017 a slight growth after two years of stagnation.

Accordingly, pursuant to the information published by the Banco Central of Uruguay, in the third quarter of 2017 the GDP, accrued yearly, grew by 2.2% compared to the same period of the previous year, due to the positive development of transport, storing and communications, followed by the commercial and services sector.

On the other hand, the aggregated value of the construction presented a 4.1% fall in interannual terms, due to the decrease in the construction of buildings and in infrastructure works, linked to the generation of electric power.

The Price Consumption Index (PCI) registered a 6.6% interannual increase, while the domestic product producer price index (IPPN, in its Spanish acronym), increased by 5.4% during the same period. According to private sources, it has been forecast that in 2018 inflation will reach an annual rate of 6.5%.

In an international context where the US Dollar has depreciated, the exchange rate of the currency as of 31 December was 28.8 UYP/USD, with a 1.8% decrease compared to the previous year.

Cementos Artigas, S.A.

Cementos Artigas S.A. is a company located in Uruguay. It currently owns a clinker manufacturing plant in the town of Minas, a mill and a mortar manufacturing plant in Sayago, five concrete manufacturing plants and one of granite aggregates production, focusing its activity in the production and marketing of portland cement, mortar, concrete and aggregates.

The plant in Minas has produced 428 thousand tones of clinker, having worked intensely in improving costs and productivity, with tangible results in the year.

The Sayago plant will put on the market Compound Portland Cement (CPC), being the first ones in the country to formulate low carbon footprint cement and to develop more and more sustainable product, with the added bonus of a significant reduction in production costs.

Likewise, a growth in the sales the locally produced "Perfect" glue was registered. In an environment of recession, it was possible to increase the sales and the profitability of this line of business.

The cement export to Argentina also increased to support the supply in view of the high demand in this market.

Hormigones Artigas, on the other hand, has supplied product for the construction of the most important work of Maldonado, Trump Tower, and it has supplied concrete to be used in roads for routes being built in Uruguay (Routes 2 and 12).

Regarding business management, the position of the brand has improved thanks to an innovative communication and marketing campaign for the Adhesives line. In addition to that, a new loyalty plan was successfully launched aimed at sellers in points of sale.

The sales in 2017 reached 80 million euros and the EBITDA was 17 million euros, which represents a 21% increase compared to the level reached in 2016.

As for the investments, 2017 has marked a milestone for the company since it was able to put into operation ahead of schedule the facilities for the use of disused tyres (NFU) to replace fossil fuels, with the subsequent benefits not only for the company but also for society since it represents a suitable disposal of waste. Another important investment this year has been the construction of parking facilities for trucks in the Sayago plant.

During 2017, the “Compliance Programme” (defence of competition and anti-corruption), the Corporative Governance policies and the new Ethics Code were developed, thus initiating the dissemination and training process on these issues.

Thousands of euros

C. ARTIGAS	2013	2014	2015	2016	2017
Assets	80,964	77,658	70,052	85,591	79,054
Own Funds	62,534	58,573	52,692	69,959	64,410
Sales	104,299	88,230	94,518	74,822	79,801
EBITDA	31,595	23,881	23,473	14,379	17,446
Net profit	26,999	20,134	18,501	11,908	12,912

Data corresponding to 100% of the Investee company

MEXICO

Mexico started 2017 intensely with the entry into force on 1 January of the 20% rise in the price of gasoline and diesel, which cause dissatisfaction at national level. Due to the “gasolinazo”, the costs of basic services and food increased in the country, thus affecting the economy of the Mexican people.

The economy of the country suffered two great shocks from the outside: 1) the restricted monetary policy of the United States and 2) the change of government in this country, which showed in a greater devaluation of the Mexican peso and higher interest rates, as well as a progressive reduction in the internal demand, greater inflation rate and lower growth of the GDP.

The long rainy and hurricane season put a great halt on the economy during June, July and August, due to the big floods caused by hurricanes Irma and Franklin in the states of Quintana Roo, Veracruz, Campeche and Tabasco.

Also, 2 earthquakes of significant intensity were registered on the 7th and 19th of September that hit with force densely populated areas causing severe damages in the states of Chiapas, Oaxaca, Mexico City, Morelos and Puebla, which forced the government and the citizens of the affected states to bear unexpected expenses. With the earthquake of 19 September, the authorities put on halt the construction works of the metropolitan area for a few days until the emergency works had concluded.

In this scenario, the estimated growth of the annual GDP is set at 2.2% which, if right, would represent a similar growth to that of the previous year; the GDP of the construction sector presented an estimated downturn of -1.2% compared to 2016. Inflation reached 6.8% and the estimated unemployment rate reached 3.5%.

Corporación Moctezuma S.A.B. de C.V.

Located in Mexico, its activity comprises the production and marketing of cement, concrete and mortar. It has three cement plants in Tepetzingo, Cerritos and Apazapan, with two production lines in each of them. It is present in the concrete business with 36 plants, distributed throughout the Mexican territory. The Company is listed on the Mexican stock market.

In financial terms, 2017 was better for the Company than the previous year. Income increased by 14% reaching 696 million euros, mostly originated from the increase in the prices of cement and concrete. The EBITDA reached 330 million euros, 13% higher than the result registered in 2016.

In 2017, the cement obtain a revenue figure 20% higher than the one registered the previous year, mainly due to the increase in its sale price and, to a lesser extent, to a slight increase in sales volume of both cement and mortar, along with greater sales in clinker which also helped towards a better occupation of the installed capacity.

The result obtained, in the context of a cement market in lethargy affected by a downturn of the investment, both public and private, comes from the continuity of the strategies that have been applied to develop smaller clients, to increase the coverage through physical sale points, to increase the effectiveness in the dissemination of the brand and a service approach (commercial and logistic). All this has translated in solid and sustainable clients and distributors.

The unit costs were negatively affected by the 5% increase, in local currency, of the freight fees, the 39% increase in electric power, the 20% increase in gasoline and diesel, a 46% increase in petcoke and the 9% increase in the bags, the latter two due to the depreciation of the Mexican peso against the dollar. The commercial activity previously developed was able to compensate for these cost increases.

Regarding the investments in cement in 2017, the plant in Tepetzingo finished the clinker production increase and has started the modernisation of the distribution control, line 2 of calcination and services; the plant in Cerritos has acquired a diffractometer and has updated the control panel XYCOM and the communication systems of the packaging lines 1 and 2; the plant in Apazapan finished the relocation of the clay crusher and the repair of the Metso breaker revamping and started the construction of a railway warehouse in Guadalajara and the new IT building.

As for the concrete business, in 2017 the sales volume decreased in 9% compared to 2016, a situation that was attempted to compensate with marketing action to recover volume, greater efficiency and better sale prices.

Regarding sale prices, a 13% improvement was achieved compared to the previous year. In the variable unit costs, the increase set, in local currency, at around 17.5%, noting the increase in the main raw materials, electric power and diesel. All of the above showed in the results, reducing the EBITDA of the business operations.

Among the main works supplied in 2017 are the México-Toluca train, the Observatorio station, the Xalapa beltway, the Veracruz breakwater, the IMSS hospital of Querétaro and the Manzanillo project.

Regarding the investment in concrete in 2017, it is worth noting the purchase of 20 truck mixers, 25 spinners and 2 front-loaders in Tolupa and Irapuato, the construction of an aggregates plant in Tepetzingo, Xochimilco and the Wind Farm Cañada and the reconditioning against floods of the terrain of Irapuato.

Thousands of euros

C. MOCTEZUMA	2013	2014	2015	2016	2017
Assets	570,477	597,534	635,423	589,600	647,077
Own Funds	455,706	473,847	507,257	464,907	440,608
Sales	468,727	529,029	634,614	611,741	696,484
EBITDA	153,834	188,001	257,682	292,411	329,779
Net profit	85,918	114,985	162,030	196,053	220,538

Data corresponding to 100% of the Investee company

BANGLADESH

In 2017 the country has suffered one of the worst monsoons in its history which has complicated the progress of the country's economy during the first half of the year. The continuous reduction of remittances inflow by emigrants has contributed, in turn, to the lack of USD reserves by the government, which has partly helped to the moderate devaluation of the currency.

However, the cement sector has developed positively with a 9% growth compared to the previous year, in an environment of continuous competition due to the capacity excess caused by the start-up of new mills in the country's capital and main markets. This capacity excess has also contributed to put great pressure in the prices that have fallen for the second consecutive year despite the steady increase of the production costs, especially due to the rise in energy and fuel costs.

Lafarge Holcim Bangladesh (LHB)

Located in Bangladesh, LHB focuses its activity in the production and marketing of cement. This plant is located in Bangladesh and the limestone quarry in India, connected by a conveyor belt. Cementos Molins and LafargeHolcim hold 60 percent of its capital, being remainder almost fully in the hand of local shareholders. The company is listed on the stock markets of Dhaka and Chittagong.

In our company we have focused most of our resources and efforts to work to prepare the integration of the company HBL (Holcim Bangladesh), while waiting for the permits from the regulatory authorities which finally arrived in September 2017 and which have allowed us to proceed with the acquisition of this company on 7 January 2018.

Among the main revision and preparation works it is worth mentioning the study on the entire logistic process, the revision of all the personnel structure and the positioning and communication of the two main brands for each of the business.

Regarding the financial results of the company, in 2017 we achieved a production record in our plant in Chatak, which reached a total of 1.4 million tonnes of clinker.

The sales volume, in tones, has increased by 3% compared to 2016, reaching a total of 2 million tonnes. However, the total cement sales have decreased, increasing the clinker sales.

Sales have amounted to 116 million euros, which is 6% lower than 2016, and the results have been significantly reduced by a 7% fall in the prices, the 10% increase in production costs and the total expenditure of around 4 million euros put towards the integration process. Thus, the EBITDA has reached a figure of 22 million euros, against the 40 million of the previous year.

The realisation of the acquisition of HBL (Holcim Bangladesh) mentioned, which has brought an additional production capacity of 2.2 million tonnes in 3 mills located in the capital and in the northeast area of the country and the ability to be present in the premium brands segment, should contribute to the improvement of the results expected for the next year.

As for investments, in 2017 the most note-worthy one would be the investment in a mobile crusher installed in the Indian quarry. This investment was initiated in 2016 and has been finally stabilised in 2017. The total investment has amounted to 4 million euros and the investment in the implementation of the SAP, for a total of 1 million euros, must contribute to the improvement of the efficiency in the financial information of the Company.

Thousands of euros

LHB	2013	2014	2015	2016	2017
Assets	177,452	211,287	242,152	252,901	217,315
Own Funds	99,690	136,311	163,886	181,027	150,205
Sales	109,136	112,962	127,354	123,943	116,346
EBITDA	44,144	42,695	40,694	40,447	22,342
Net profit	24,524	27,500	26,585	25,721	8,784

Data corresponding to 100% of the Investee company

TUNISIA

Growth rate of the Tunisian economy will be of around 2.3% in 2017 as a result of the recovery of several sectors of the economy, such as agriculture, phosphates and the manufacturing production, after a 1% growth in the last two years.

The economy was mainly boosted by the services sector, while the industrial production fell by 6.6% and the non-manufacturing industries by 1.9%, as well as the extraction industries, which experienced a growth under historical level due to social movements in mining areas.

Inflation reached 6.4% in 2017, after a 4.2% growth in 2016 and 4.9% in 2015. The impact of the depreciation of the Tunisian dinar (TND) against the euro was 21%.

It is worth mentioning that the draft of the economic budget adopted by the Cabinet on 12 October, provides a growth rate of 3% in 2018 compared to the 2.3% in 2017 and it would imply a slight improvement in the external balance of he country, with an unemployment rate of 12%. The budget focuses on the inclusive growth which allows for an even distribution of wealth and the creation of new jobs.

Société Tuniso Andalouse de Ciment Blanc "SOTACIB"

Located in Tunisia, SOTACIB has a plant in the city of Feriana, near the border with Algeria, focused in the production and marketing of white cement. The company SOTACIB, at the end of 2017, had a workforce of 328 employees; it sells its products in the region (Tunisia, Algeria and Libya and it also exports to Europe and to the rest of Africa.

The sales figure of the company, in euros, is 8% lower in 2017 amounting to 32 million euros.

Sale prices in the domestic market were still monitored by the Commerce Ministry in 2017. A 5% increase in the price was granted in October 2017. Despite the non-official announcement that the subsidies on basic electricity and gas consumption would be gradually eliminated, this decision was never taken in 2017.

The total sales volume for cement and clinker increased by 2.5% compared to the previous year. Out of this total, domestic sales fell by 2.9%, under the impact of the loss in sales in the last week of December due to a strike, in addition to the slowdown in the construction in Tunisia, as a result of its economic and political situation. On the other hand, the export volume has increased by 5.8% compared to 2016, mainly in new markets, thus compensating the fall in historical markets of Algeria, where the import barriers established by the Algerian government, and Libya.

The total investment carried out by the company in 2017 amounted to 1.4 million euros mainly in repairs and maintenance.

The EBITDA grew up to 3 million euros due, mainly, to an increase in the variable cost by tone, caused by the impact of greater costs of petroleum coke and kaolin.

Thousands of euros

SOTACIB	2013	2014	2015	2016	2017
Assets	86,021	83,078	86,236	77,916	55,931
Own Funds	23,826	34,280	36,720	31,793	20,777
Sales	39,001	35,958	36,237	35,278	32,425
EBITDA	3,252	2,159	258	4,766	2,954
Net profit	-5,942	-4,875	-7,242	-2,901	-4,619

Data corresponding to 100% of the Investee company

SOTACIB KAIROUAN

SOTACIB Kairouan has a grey cement plant in the municipality of Jebel Rouissat (Kairouan, Tunisia) that started to operate at the beginning of 2012. The company had at the end of 2017 a total of 213 employees.

The sales volume of cement and clinker has increased in 2017 by 6.3% compared to that registered in 2016, thanks to a 39% growth in the local market, after taking an aggressive pricing strategy that has helped recover from a one-month shutdown of the company due to a non-legal strike in December. The average annual price of cement in the domestic market grew by 2.8% compared to 2016. The export prices also grew by 13.5% compared to 2016. Subsequently, the total average price grew by 4.2% compared to the previous year.

Variable costs have grown due to the impact of the increase in fuel costs while fixed costs have remained stable.

The EBITDA, in local currency, increased slightly in 2017 compared to 2016, but when converted into euros it worsened down to 9 million euros due to an adverse effect of the exchange rate.

The total investment in 2017 amounted to 1.7 million euros, mainly in maintenance.

Thousands of euros

SOTACIB KAIROUAN	2013	2014	2015	2016	2017
Assets	208,557	198,234	203,807	178,615	137,043
Own Funds	76,542	77,087	83,925	74,834	56,475
Sales	51,199	52,673	57,041	47,797	45,560
EBITDA	17,798	18,940	13,739	11,249	9,019
Net profit	481	776	-3,636	-4,435	-3,141

Data corresponding to 100% of the Investee company

BOLIVIA

For the Bolivian economy, the global financial scenario of lower energy resources price since 2008, its main source of GDP, has had a relevant impact. However, 2017 has been a year of recovery for the price of petrol in the international market, since WTI crude oil increased by 12.5% and the average price of natural gas in the main global markets fell, due to greater production levels. The GDP grew, in the last 12 months, until September 2017, by 3.8%, which puts Bolivia above its main Latin American neighbours in growth level.

The drop in Bolivia's GDP over the past years has had significant impact on the country's fiscal deficit, which suffered the reduction in revenue from oil and oil products, along with a high and consistent public investment, causing a steep fall of the international reserves. Moreover, political instability has stained the current actions of the government, delaying and slowing down some public works. The estimated fiscal deficit for 2017 should be close to 8%, based on the forecast of the MEFP (Ministry of Economy and Public Finance of Bolivia).

Itacamba Cemento, S.A.

For Itacamba Cemento, 2017 was a year to consolidate as a company and of many conquests. The production of the new plan was stabilised and for the first time in the history of Bolivia, clinker and cement were exported to neighbouring countries. We have helped to develop even further locations near Yacuses, and valuable projects for the communities have been carried out. At internal level, great progress in the development of internal and organisational procedures have been achieved, being prepared to receive the ISO 9001 and the SOx certificates.

Even with the fall of the internal cement consumption and the strong reaction of the competition, it was possible to obtain great progress in the volumes sold and an important gain of market share, having become the second brand in sales volume in the Santa Cruz market. Itacamba was able to sell 418 thousand tonnes of cement in the local market and 158 thousand tonnes of clinker for export. Sales in the local market greatly exceeded those of the previous year, allowing Itacamba Cemento to achieve significant market penetration in Santa Cruz.

The plant of Yacuses, which became operational in October 2016, registered great progress in the productivity of the equipment in 2017. The production of 450 thousand tonnes of clinker represented a 62% of the nominal capacity in the first year of operation, and the 433 thousand tonnes of cement produce guarantee the product supply in the Bolivian market and allow for export, making it possible for Bolivia to stop being an importing country to exporting cement to its neighbours.

The EBITDA generated in the period improves up to 8.9 million euros, caused by the operation of the new plant and the possibility to introduce in the market a greater sales volume with lower operational, freight and production costs.

Thousands of euros

ITACAMBA	2014	2015	2016	2017
Assets	57,524	120,511	218,928	181,821
Own Funds	28,455	83,559	85,639	70,142
Sales	6,799	22,065	30,409	55,890
EBITDA	940	1,947	1,504	8,875
Net profit	667	1,616	1,718	-5,970

Data corresponding to 100% of the Investee company

COLOMBIA

Thanks to its market size, 49.6 million inhabitants and to its rich natural resources, Colombia has experienced strong growth in the past years, strengthening its image as a promising emerging country.

Colombia has many natural resources such as carbon, petrol, natural gas, iron, nickel and gold ore. Because of the country's climate and topography, agriculture is very widespread and diversified. Industry, on the other hand, represents around 40% of its GDP; the main industries in Colombia are: textile, chemicals, metal, cement, cardboard containers, plastic resins and beverages. However, the main economic sector in Colombia is the service sector, which represents over half the GDP and employs around 60% of the country's labour force.

The Colombian economy grew by 1.8% in 2017. In this period, five of the nine branches in which the economy is classified in the Colombian statistical census (source: DANE) presented positive growth, three of them above average (agricultural sector, financial and insurance sector and social services sector). Among the branches of the economy that presented negative growth were the construction sector with a 0.7% decrease, the mining and quarry exploitation sector with a 3.7% decrease. Moreover, the manufacturing industry declined by 1%.

In 2017, the annual variation of the consumer price index was 4.1%, while in 2016 it was 5.8%. The reduction is due, mainly, to the favourable behaviour of the food group.

Empresa Colombiana de Cementos, S.A.S./Insumos y Agregados de Colombia S.A.S.

On September 30, 2015, Cementos Molins signed an agreement with the Colombian Group Corona for the construction of a new cement production plant in the municipality of Sonsón in Antioquia, Colombia. The plant, with a production capacity of 1,350,000 tons per year, is expected to start operating in the third quarter of 2019. The plant will be equipped with the latest technology, including vertical crude cement milling, vertical coal mill clinkering, vertical cement milling and the dispatch of both bulk and bagged cement.

To this end, in October 2015 the following companies were incorporated: Empresa Colombiana de Cementos S.A.S. (Ecocementos S.A.S.) e Insumos y Agregados de Colombia S.A.S. (Iacol Agregados S.A.S). Cemolins Internacional, S.L.U. subscribed 50% of the shares of both companies upon incorporation and in the subsequent capital increase.

In 2016, the necessary permits were granted and the construction agreement for the plant with OHL for 239 million USD and the local financing to carry out the investment were closed, and the construction project was started December of the same year.

The estimated investment amounts to 370 million USD, out of which 285 million USD are for technical investment and the remainder for other expenses (land, financial expenses, etc.).

In 2017, the financing for the first tranche of the debt was obtained, as well as the free zone status for the main area of the process and other tax benefits associated there to (Plan Vallejo, etc.) which improve the initial business plan, being under negotiation with local banks the financing of the second tranche.

Ecocementos, in parallel to the construction of the new plant, is designing its operational, administrative and commercial structure and it has already included some of the key positions of the Company. Likewise, it has completed a market analysis and is developing a study on the position of the brand.

CORPORATE GOVERNANCE

The general principles that make up the Corporate Governance System are set out in the Ethical Code and in the Mission, Vision and Values of the Cementos Molins Group. These principles are aligned with the obligations and duties of the Directors, included in the Capital Companies Act (LSC), and respond to the Good Corporate Governance and Corporate Social Responsibility practices of listed companies.

In order to comply with the Good Governance obligations contained in the Capital Companies Act (LSC) and the recommendations of the Unified Code of Good Governance, the Cementos Molins Group has structured the Corporate Governance System into the following 5 pillars:

- **Articles of Association:** the Articles of Association of Cementos Molins, S.A.
- **The Group's Mission, Vision and Values:** The Cementos Molins Group's Mission, Vision and Values describe the main principles necessary for the Group to operate smoothly. They differ from the Code of Ethics, which reflects the principles of expected behaviour of employees, in terms of the relevance of the Cementos Molins Group's mission, vision and values.
- **Corporate Policies**: These Corporate Governance Policies have the purpose of establishing the guidelines of each of the areas that make the Corporate Governance System, as well as the action framework for the Group's employees, and is divided into the following sections: 1) Corporate Governance and Regulatory Compliance, 2) Risk Management and 3) Corporate Social Responsibility.
- **Internal regulations**: Corresponds to the Group's operating rules. The General Shareholders' Meeting and Board of Directors Regulations are included. The latter includes the Auditing and Compliance Commission Regulations and the Remuneration and Appointments Commission Regulations.
- **Codes and procedures**: The codes and procedures of the Cementos Molins Group are the Ethical Code, the Ethics and Compliance Committee Regulations, the Internal code of conduct in securities markets, Internal Rules for the treatment of insider information, the Shareholders' electronic forum Regulation and the procedures related to the Internal Financial Information Control System (SCIIF). The Compliance Body must ensure compliance with the aforementioned codes and procedures.

On the basis of this structure, the Corporate Governance model of the Cementos Molins Group is defined according to certain principles that differentiate the functions of ordinary management and effective management from those of supervision and control. These principles are listed below:

- The Cementos Molins, S.A. Board of Directors is responsible for approving the Cementos Molins Group's corporate policies and strategy.
- The Auditing and Compliance Commission's function is to support the Board of Directors in the regular preparation of the economic and financial information, the Group's internal controls and the independence of the Company's External Auditor. In turn, it oversees the Ethics and Compliance function and the Internal Audit function, which ensure the proper functioning of Cementos Molins Group's IT, internal control and regulatory compliance systems.
- The Remuneration and Appointments Commission must propose to the Board of Directors the remuneration policy for Directors and general managers or those who perform senior management functions under the direct authority of the Board of Directors, Executive Commissions or Chief Executive Officers. Likewise, it is the duty of the Remuneration and Appointments Commission to periodically review the remuneration policy established and to ensure that conflicts of interest do not prejudice the independence of external advice provided to the Commission.
- The Board of Directors of Cementos Molins, S.A has delegated all delegable functions to the CEO and Chief Executive Officer.
- The Board of Directors of Cementos Molins, S.A has delegated the supervisory and advisory tasks of the Corporate Governance System to the Ethics and Compliance Committee, which in turn reports to the Auditing and Compliance Commission. Likewise, the Ethics and Compliance Committee must monitor the corporate policies developed, ensure that the information posted on the website is correct, accurate and up to date at all times.
- The General Management is responsible for implementing those measures which may be necessary for the proper functioning of the Group's Corporate Governance System.

RISK MANAGEMENT

The Cementos Molins Group has designed a risk management and control system that enables appropriate risk management. The risk management and control system is applied in the following phases:

- **Preparation of the inventory of risks:** the Internal Audit Department of the Cementos Molins Group, on the basis of the Group's knowledge, the monitoring activities performed and the business goals established by the Group, prepares an inventory of the risks that may occur in each company at both the corporate level and the operational level.
- **Identification:** the General Management, the area managers and the Internal Audit Department identify, through the inventory of risks, the risks to which the companied of the Cementos Molins Group are exposed.
- **Assessment:** after identifying the risks to which the Group's companies and Cementos Molins Group itself are exposed, they are assessed to recognise which are the most relevant. The risk assessment is determined on the basis of the likelihood of occurrence, the impact and the number of businesses and/or areas in which the risk might arise.
- **Risk map:** after selecting the most significant risks, the Group's risk maps, risk maps at corporate level and operational risk maps for each of the subsidiaries are prepared. These risk maps reflect the importance of each of the risks at the businesses.
- **Control:** after the risk map is prepared and assessed, the Top management of each of the companies, the Internal Audit Department and the functional areas determine the necessary measures and define the controls needed to mitigate the risks identified. The internal control system that will be assessed by internal audit is defined in this stage.
- **Supervision:** the Risk Maps and the control measures identified are the basis of the Annual Internal Audit Plan.

Once a year the scope of the risk management model is described through the Corporate Governance Annual Report, stating the risks materialised during the year and the status of the Risk Control and Management System.

Based on the above, the following risk categories assessed in the Risk Control and Management System of the Cementos Molins Group are defined:

- **Corporate Governance Risks**: Corporate Governance risks are risks related to non-compliance with the internal rules established by the Group in relation to its compliance with the principles set forth by the Capital Companies Act (LSC) and the Recommendations of the Good Governance Code of Listed Companies.
- **Strategic Risks**: Strategic risks are the risks that arise both from external factors and internal to the Group and that affect the long-term objectives. Generally speaking, strategic risk causes the Group's companies or the Group itself to lose value for unwanted activities that affect demand. Below are some examples of this type of risks:
  - Brand and reputation risk.
  - Risk of inability to adapt to changes.
  - Competitive, country and market risk.
  - Risk of customers needs.
  - Risk in the communication strategy.
- **Financial or Reporting Risks**: Financial or reporting risks are the risks that arise from the inability to finance the business obligations and from the possibility that the information provided to third parties (Financial Statements) is not reliable and complete. Below are some examples of this type of risks:
  - Budget Risks.
  - Cash Flow Risk.
  - Financial Statement Risk.

- **Operational Risks**: The operational risks are the risks of the own activities carried out by the Cementos Molins Group. This typology includes risks of business management and risks of internal and external communication. Below are some examples of this type of risks:
  - Risk in Cost Management.
  - Business Continuity Plan Risk.
  - Quality Risk.
- **Compliance Risks**: Compliance risks are the risks of non-compliance with the internal and external regulations to which the member companies of the Cementos Molins Group are exposed. Below are some examples of this type of risks:
  - Risks arising from the nature of listed company of Cementos Molins, S.A.
  - Regulatory risks in social, economic and environmental matters.
  - Tax Risks.
  - Fraud risks.

HUMAN RESOURCES [1]

As of 31 December 2017, the number of employees of Cementos Molins Group was 4,588 which represents a 1.04% increase compared to the figure as of 31 December 2016.89.5% of the staff is male and 10.5% female, having increase significantly the number of female employees (by 7%) compared to male (by 0.3%).

In Spain, the Group closed the year with 1,220 employees, which represents a 1% increase compared to 2016.

In 2017, a total of 26,833 hours of training were carried out, to a total of 1,264 employees. In general terms, it consisted in technical training in environment, occupational risk prevention and quality. Likewise, executives, senior managers and middle managers were trained in management skills. Training in the management systems of human resources and performance management was provided to all the employees that take part in the objectives-based assessment system. In addition, language proficiency training was provided, mainly in English and French.

In Spain, Grupo Molins has launched five important projects in the Human Resources area: the second employee satisfaction survey, with a 86% participation at Group level, and with a satisfaction index ten points higher than in 2016; the personnel strategic planning process; and the integrated Human Resources system, along with the performance, succession and compensation assessment modules. Likewise, the flexible remuneration system was introduced for all the employees and the Ethical Code of the Group was revised.

At international level, it is worth noting the growth projects carried out in 2017, projects that have led Cementos Molins Group to enjoy significant international presence and, subsequently, to an average increase in employees compared to 2016 of 1.05%, going from 3,333 employees to 3,368.

Corporación Moctezuma (Mexico), for the third consecutive year, has earned the certificate “Super Companies Expansion”, as one of the best 20 companies working in Mexico. Likewise, to strengthen the application of the Code of Conduct, a new communication channel called “Alza la Voz” was implement, which guarantees the transparency in its management. Moreover, the Universidad Corporación Moctezuma kept the student flow. Currently, there are 15 partners registered in the master’s programme and 2 to a Bachelor’s degree level. In 2017, 30 partners carried out training courses: 10 at mater’s level and 20 at bachelor’s.

In 2017, Cementos Artigas (Uruguay) and Cementos Avellaneda (Argentina) continued with the standardisation and training of middle management positions as leaders in safety in order to decentralise its management. In the last quarter of the year, the programme “Committed to Safety” was launched. This programme, with the participation and commitment of all the organisation, aims at reaching world-class levels in safety in all the plants and business units. During 2017, Cementos Artigas developed the programme “Compliance”, the Corporative Governance policies and the new Ethics Code. Furthermore, it was agreed to include “safety” as a “value” and in this

[1] Data corresponding to the 100% incorporation of the investee companies

framework training, awareness activities and actions were developed to assert visible leadership in safety to senior and middle management.

In turn, Cementos Itacamba (Bolivia), through its Human Resources department, prepared and approved the Code of Conduct, implemented the performance assessment system and potential assessment and developed the salary payment module in SAP. Also, for the first time the work environment was measured with GPTW and it took ninth place in companies of under 250 employees.

In 2017, LafargeHolcim Bangladesh has been working to prepare its integration with Holcim Bangladesh. De Financial Director and the Human Resources Director have joined the Managing Committee. The talent identification process and potential assessment have been carried out paying special attention to the commercial structure by developing a specific a programme to reinforce the expertise of the sales workforce.

Sotacib and Sotacib Kairouan (Tunisia) have launched the performance and potential assessment process and a second employee satisfaction survey has been carried out. The selection process has been reinforced with a significant increase in internal promotions. Likewise, a recognition and sponsor programme for sport activities of the employees has been implement. As for training, leadership courses have been implemented for all management positions: efficient meetings, leadership of the change, visible leadership, leadership by objectives. In the internal communication area, quarterly meetings have been implement both in the plants and in the headquarters to inform all the employees of the most relevant matters.

The construction of the new plant has required Ecocementos (Colombia) to hire 23 people, including the Tower Project Manager, the Manager of the IT project and the Managing Director. Around half of this new hires wish to stay in the company once the plant is operational. The new plant is located near one of its main competitors and it has many close communities, which requires proactive contact with these actors in order to keep good communication and address concerns as quickly as possible. Among the activities developed to this date, there is the construction of two football fields, the construction of 72 septic tanks for families with little means in the area and the construction of a training room for possible project contributors.

No. of people. Aggregated value by Company as of 31 December

	2013	2014	2015	2016	2017
CEMENTOS MOLINS S.A.	58	31	31	32	35
CEMENTOS MOLINS INDUSTRIAL	178	169	175	169	171
PROMSA GROUP	236	220	237	229	237
PRECON	567	469	553	605	594
PROPAMSA	113	114	123	126	133
CEMOLINS SERVICIOS COMPARTIDOS	-	37	41	39	39
REMAINDER	13	13	9	8	11
SPANISH COMPANIES	**1,165**	**1,053**	**1,169**	**1,208**	**1,220**
CEMENTOS AVELLANEDA	702	720	730	728	750
CEMENTOS ARTIGAS	249	239	231	223	215
CORPORACION MOCTEZUMA	1,148	1,105	1,121	1,119	1,103
LAFARGE HOLCIM BANGLADESH	519	519	498	504	522
SOTACIB GROUP	538	581	588	575	532
ITACAMBA CEMENTOS	-	68	83	170	221
PRECON LINYI	-	30	19	4	4
ECOCEMENTOS	-	-	-	10	21
FOREIGN COMPANIES	**3,156**	**3,262**	**3,270**	**3,333**	**3,368**
TOTAL GROUP	**4,321**	**4,315**	**4,439**	**4,541**	**4,588**

The number of people corresponds to 100% of the staff in each of the Companies.

Occupational health and safety[2]

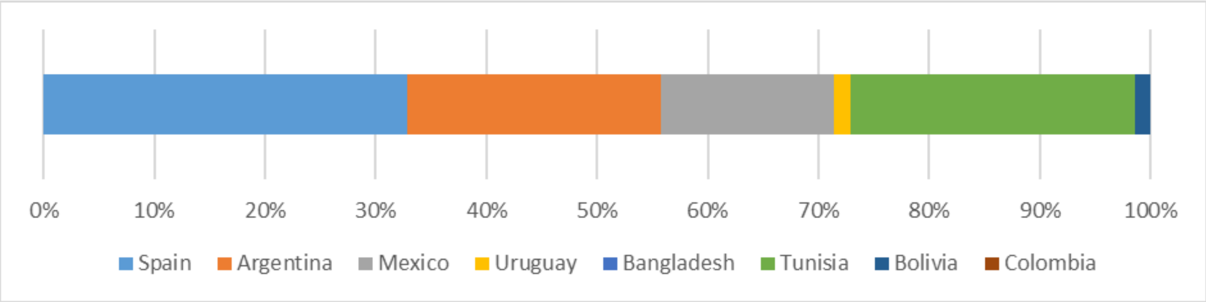
[2] Data corresponding to the 100% aggregation of the investee companies

Occupational health and safety

All the activities and countries have occupation risks prevention mechanisms created after having analysed the risks related to the work place and implementing the necessary preventive measures to guarantee health and safety at work.

The number of occupational accidents has dropped by 1.4% compared to the previous year because they have been reduced in Uruguay, Mexico and Argentina compensating the increase taken place in Tunisia. Moreover, there have been no accidents involving the female workforce of the organisation in 2017.

Total accidents 2017 by country



Likewise, the accident rate has evolved positively, with special improvements in the severity rate and the incidence rate.

During 2017 a total of 70 accidents occurred. Two of them have resulted in the death of four workers, three of them in Tunisia and one in Spain. The circumstances surrounding the accidents included a car accident in Tunisia and a situation related to the health of the employee in Spain.

Accident rates evolution

	Incidence index		Frequency index		Severity index	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
Spain	19.0	18.9	10.6	11.0	1.1	0.91
Argentina	24.7	21.3	13.9	12.6	0.7	0.73
Mexico	11.6	10.0	5.0	3.7	0.1	0.21
Uruguay	22.4	4.7	9.4	2.0	0.6	0.01
Bangladesh	0.0	0.0	0.0	0.0	0.0	0.00
Tunisia	20.9	33.8	9.4	25.4	1.1	0.89
Bolivia	0.0	4.5	0.0	2.5	0.0	118.52
Total	**15.7**	**15.3**	**7.7**	**7.7**	**0.6**	**0.5**

The main accident causes include entrapments, bumps and falls and manipulation of manual loads. Different actions have been carried out this year involving occupational risk prevention, among which it is worth noting the conduct of specific studies, the deployment of awareness and prevention campaigns and the implementation of management tools, as well as the continuous information to those involved in the development of the Group's activity. 68.1% of direct workforce and 93.3% of indirect workforce is covered by a health and safety committee.

ENVIRONMENT AND LOCAL COMMUNITY[3]

Environment

The formal and informal environmental management systems in compliance with the international standards and the ISO 14001 rule allow the organisation to identify the aspects with significant environmental impact and to establish formal management mechanisms such as establishing continuous improvement goals for the reduction and mitigation of said impacts.

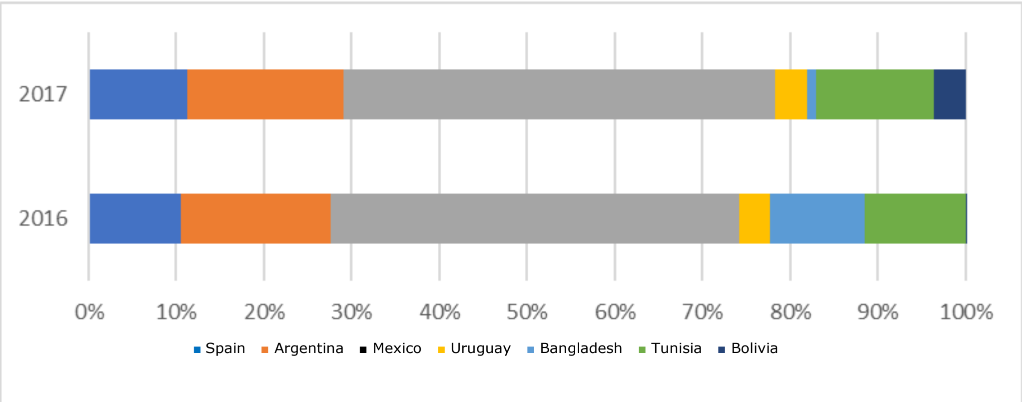
The environmental expenses have amounted to 3.5 million euros and the investments to this end to 1.8 million euros, which represents a 15% increase in the case of the expenses compared to the previous year.

Climate change

Cementos Molins Group is in the process of formally identify risks and opportunities associated to climate change, in relation to the significant incidence of the cement production on the environment.

During 2017, the total CO_2 emissions associated to the production of cement (including both direct emissions from the extraction and production of cement and indirect ones from the power consumption of the production processes of cement) have reached 10.26 million tones, a 9.2% higher than that of the previous year. This activity represents the main source of emission of the organisation.

Total emissions (types 1 and 2) of the cement production activity by country[4]



The use of the best available technologies, the innovation related to the type of fuel used and the possibilities arising from the energy waste recovery are some of the actions developed to manage the organisation's carbon footprint. Part of the Group's activities are subject to a specific regulation on greenhouse gases emissions.

Waste and circular economy

The consumption of recycled raw material and the development of new production processes that close the life cycles of the materials used is one of the main management approaches to the

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[3] Data corresponding to the 100% aggregation of the investee companies

[4] Type 1- Direct emissions from the power consumption associated to the cement production activity.
Type 2- Emissions from the power consumption associated to the cement production activity.

Group's activity. 1% of the materials consumed are of recycled origin, which allows reducing the intensity of the extraction of non-renewable raw materials.

The main waste generated by the activity of the organisation is non-hazardous, and both this and the hazardous ones are managed according to the different treatment methods, always prioritising the recovery and reuse and pursuant to the legal requirements established in each country.

It is worth noting the energetic waste recovery carried out in the production processes of cement in Spain, along with other actions aimed at boosting circular economy processes in the organisation especially those related to water consumption.

3.8 million cubic meters of water have been consumed in 2017, 55.6% of which come from underground water and 34.2% from surface water. 8.2% of the water consumed has been reused.

Air quality

Air quality is one of the material aspects of the organisation that has been identified as a priority for neighbouring communities in the area in which the cement production activity is developed. The different mechanisms implemented look to constantly monitor and ensure the quality of the air, as well as, having the necessary contingency plans in the case of changes.

Atmospheric emissions	2017
NOx (kilograms)	32,397,699.4
SOx (kilograms)	998,265.3
PM (kilograms)	1,001,549.7

Biodiversity and restoration of natural habitats

The aggregate extracting activity associate to the production of cement is one of the main material aspects of the restoration of natural habitats. The organisation's policy in the management of these impacts is reducing as much as possible the initial impacts of the extracting activities in the environment and at the end of its useful life carrying out a full restoration of the natural areas.

This year several plant species have been planted to reforest the quarries and old facilities have been dismantled in Spain. Moreover, special attention has been paid to collaborations with interest group to promote and protect protected species.

Local community

There is a close relationship wit the local communities in areas in which the organisation operates, where the participation of different interest groups varies based on the local context and characteristics.

The interest group committee in Spain is an example of a tool to keep direct contact with the members of the local community, which helps manage properly the expectations of the different members and their direct participation in the decision-making process in social and environmental issues. In other countries there are formal agreements with members of the local community that define the conditions of the operation and activity.

Likewise, the participation in associations of the local community is high and their scope diverse, from specific to the sectoral level to more general ones.

The purchase volume to local supplies has remained constant, amounting to 80.7% of the purchases carried out in 2017, which represents a slight increase compared to the previous year.

Likewise, in 2017, 880 thousand euros have been allocated to social actions and sponsorship projects associated to health, education and issues directly related to the needs of the local community in which the organisation operates.

Further information and details on these aspects will be provided in the Sustainability Report for 2017 the Group will publish in 2018.

QUALITY AND PRODUCT

The quality policy of the Companies in the Cementos Molins Group is aimed at satisfying above all the needs of our clients and they are very strict on the certifications showing the quality of our products and processes, and the permanent improvement of our products and services in our catalogue.

The quality of our products comes is guaranteed because they comply with the specifications stated in their definition, with the rules (voluntary ones) and/or regulations (mandatory ones). Consistency in the quality is guaranteed by the right to use quality markings, contemplated in several products and countries, whether mandatory or voluntary.

Based on the countries in which our companies are located, their products and services comply with the different voluntary guidelines set forth by the different Standardisation Institutes. As for quality markings, the CE marking is mandatory for those products that have a European harmonised standard (EN). In some countries there are voluntary quality markings, such as the AENOR marking in Spain, the ONNCCE in Mexico and the INNORPI in Tunisia.

Many of the technicians in our companies work with the different Standardisation and Certification Institutes as experts in Standardisation and Certification Committees of different countries.

Most of our companies have issued a mission statement and its quality policy, with the corresponding manuals, and, therefore, they have been certified in accordance with ISO standard 9001 on quality management.

RESEARCH AND DEVELOPMENT

The common denominator of the companies of Cementos Molins Group has been to focus the R+D+i policy towards providing them with the necessary tools to rise above and be competitive before the challenges laid by the different markets in the respective countries.

In this sense, companies of the Group have focused on improving and enhancing the production processes for the production of cement, increasing the performance of the concretes and innovating and extending the range of products in the area of adhesive cement and prefabs; as well as on providing assessment and assistance to the customer through specific projects and products prepared according to their needs.

Bearing this in mind, Cementos Molins Industrial has centered its efforts in the development of projects aimed at improving its operations and environmental impact. Some of this projects include the new test for a continuous sample collector of dioxin and furan emissions to improve the representativeness of the current sporadic samplings (partner: CSIC); the installation of new equipment in the waste laboratory (optic ICP) to analyse heavy metals to study the volatility of alternative fuels and their influence in the stack emissions; and an industrial text of new milling additives to see its efficiency based on sustainability criteria (reduction of clinker dosage and power consumption).

PROMSA has centered its efforts in putting new products in the market, to in improving the performance of some of its products and in optimising the processes and sustainability of the operation. Among the different research activities, it is worth mentioning those related to the recovery of granulated rubber material by studying its possible applications. Likewise, several projects have been developed in cooperation with the Universidad Autònoma de Barcelona, aimed at improving and optimising the productive processes in the aggregate business.

PRECON takes part in different working groups such as the “GT1/6 Ultra-high performance concretes”, devoted to develop part of the regulations on this product, and the “GT1/1 Alveolar

Slabs", on the recommendations for the project and construction of forging using alveolar slabs, both within the ACHE (Technical-Scientific Concrete Association).

PROPAMSA has extended the solutions of the placement line with two highly flexible adhesives: VAT® SUPERFLEX and VAT® SUPERFLEX RAPID; as well as a substantial improvement in the performance of mortar for grouting, BORADA® PLUS. The waterproofing range has also grown with the addition of the product PROPAM® CREAM.

In Cementos Avellaneda (Argentina) several additional studies were carried out on compound portland cement, in which the effects of the fineness and amount of pozzolan and its durability. In parallel, test with concrete with a % of pozzolan added to a normal cement were carried out obtaining a very satisfactory behaviour and generating the possibility to create a pozzolan portland cement, demanded by the market.

Cementos Artigas (Uruguay) studied the development of the compound portland cement by making a limited use of granulated blast furnace slag and also carried out tests to manufacture portland cement of high initial resistance.

Cementos Moctezuma (Mexico) started up a concrete laboratory in the plant in Cerritos, to continue with the assessment of the behaviour of the cement produced in the three plants of the company for concrete and detect areas for improvement.
Currently, our three cement plants in Mexico have "Calmetrix" calorimeters and diffractometers. Several studies have been carried out with calorimeters that have allowed us to stablish a base to know within 24 hours if the cement will meet the resistances in 28 days, as well as improve the workability of our cements and detect changes. On the other hand, diffractometers help to provide a quicker analysis of the free lime in the clinker making it possible to carry out operative adjustments in the furnaces; this analysis also allows to identify the stages of the clinker, the different types of crystals found in our raw materials and in process materials.

In the semester of the year, the plant of Cerritos started to use fluorspar ad was able to consolidate its use in the 2 kilns and reduce between 2% and 3% the amount of clinker in cement, which wants to be applied to the other two plants in the first semester of 2018.

In Bangladesh, Lafarge Holcim Bangladesh, focused on the development of an innovative solution for the floor stabilisation segment. A cement adapted to the client was successfully launched, CEMIII/type A (Holcim Grey), in December 2017. The main challenges of this research laid in the different types of floor in one point and the variation in the humidity of the floor at different depths.

Expected evolution of the Group

At national level we expect to continue with the growth of the results.

At international level, we have incorporated the milling business in Bangladesh acquired in January 2018 and we expect a positive evolution of the rest of businesses. The evolution of the exchange rates in the countries in which we operate will condition the final development of the results.

Average supplier payment period

The Group, compared to companies located in Spain, at the end of the year maintains an average payment period of 63 days with commercial creditors in debts for the provisioning of goods and services.

The different companies of the Group continue to work towards adjusting their supplier payment periods and match them with the collection periods of their clients, mainly in the prefab and concrete activities, to the period established by the regulations in force, which is 30 days, unless otherwise agreed upon by the parties in which case the period can be extended to 60 days.

However, the Group offers its suppliers payment agreements through confirming. Said financial instrument gives the supplier the possibility to have cash without using up its own resources, as the credit lines are provided by the Cementos Molins Group, in more favourable conditions than the ones offered by the market. According to the management information held by the Group, these balances are discounted by its suppliers in a shorter time than the one established by the Regulations.

Events after closing

In December 2016, LafargeHolcim Bangladesh (Bangladeshi investee company of Cementos Molins Group and LafargeHolcim Group) reached an agreement with LafargeHolcim Group for the purchase of 100% of the shares in Holcim Cement (Bangladesh), Ltd. After receiving the authorisation of the Bank of Bangladesh, on 7 January 2018 we have proceeded to close the transaction. The final purchase price was 60 million USD.

No additional significant events that might have a material impact on the Group's equity have taken place since the end of 2017.

Transactions with own shares

At the beginning of the financial year 2017, Cementos Molins Industrial, S.A.U. had 2,719,938 shares of the parent company. During this year, 633 additional shares have been purchased amounting to 9 thousand euros.

Capital structure

The share capital is nineteen million, eight hundred and thirty-four thousand, seven hundred and one euros (19,834,701 euros), divided into 66,115,670 ordinary shares and of one series only, of thirty cents of Euro (0.30 euro) of nominal value each. The share capital is fully subscribed and paid up.

The last amendment was carried out on 30 June 2005.

Restrictions to the transfer of shares

There exist no restrictions to the transfer of shares.

Significant participations, direct or indirect

	Equity holding		Nominal
Holder	Shares	%	Value euros
Otinix, S.A.	21,796,705	32.968%	6,539,012
Noumea, S.A.	21,201,704	32.068%	6,360,511
Cartera de Inversiones C.M., S.A.	15,893,000	24.038%	4,767,900

Restrictions to voting rights

There are no restrictions to voting rights

Shareholders' agreements

On 7 January 2016, the Vote and Shares Syndication Agreement, dated 17 December 2015, signed by the syndicated shareholders of Cementos Molins, S.A., was provided to the CNMV and the Company, thus substituting the Agreement signed on 15 January 2011. A copy of the complete subscribed agreement was attached. Said agreement has been filed in the Commercial Register of Barcelona, under register number entry number 304 and in the Commercial Register of Madrid under entry number 1.

The significant shareholders intervening in the agreement, and their corresponding participation in said agreement, is the following:

Intervening parties in the shareholders' agreement	% of the affected share capital
Otinix S.A.	32.968
Noumea S.A.	23.441
Cartera de Inversiones C.M. S.A.	24.038

Applicable regulations to the appointment and replacement of members of the Board of Directors and to the amendment of the articles of association

The AGM, failing this the Board of Directors, shall hold the power to appoint the members of the Board of Directors in accordance with that provided in the Spanish Corporate Law and in the Articles of Association.

In order to be a Director, it is not necessary to be a shareholder. To fill vacancies arising during the director appointment period, in which case the Board will be able to appoint the people that will fill these positions until the next General Assembly. If a vacancy arises after a general assembly has been called but before it has been held, the board of directors may appoint a director until the following general assembly is held. The appointment of acting directors is forbidden.

The Board of Directors is now composed of fourteen directors. Directors will be appointed by the General Assembly for a maximum term of four years and they can be re-elected indefinitely for periods of up to four years each, except directors considered independent who shall not remain continuously in office, as independent directors, for a period longer than twelve years.

The appointment or re-election proposals of directors submitted by the Board of Directors, as well as the appointments by co-option, will be approved by the Board of Directors:

(i) On the proposal of the Remuneration and Nomination Committee, in the case of independent directors.

(ii) Prior report of the Remuneration and Appointments Commission with regard the other directors.

According to article 28 of the Articles of Association, the proposal must be always accompanied by a supporting report from the Board in which the expertise, experience and merits of the proposed candidate are assessed, and which is to be attached to the minutes of the GA or of the Board.

At the meeting of the Board of Directors on 28 April 2016, with a prior favorable report of the Remuneration and Appointments Commission, the Director Selection Policy of the company was approved. The main content of said policy is the following:

(i) Objectives of the candidate selection:

- The principle of diversity in the composition of the Board of Directors shall govern in a broader sense: people will be sought whose appointment promotes the diversity of knowledge, experiences and gender within the Board of Directors.
- The Director Selection Policy will make a conscious effort so that in year 2020 the number of female directors represents, at least, 30% of the total number of members of the Board of Directors.

(ii) Selection processes:

- The Board of Directors, with the previous report of the Remuneration and Appointments Commission, will draft a preliminary analysis of the Company's needs, which will be the stepping point in the appointment, reelection and ratification process for directors.

- Attempts will be made so that the composition of the Board of Directors is balanced, with an ample majority of non-executive directors and an appropriate proportion of propriety and independent directors.
- The Molins family owns an ample majority of the Parent's share capital. Given that the appointment of directors normally takes place by applying the proportionality system established in the Spanish Corporate Law, the directors of the Company belong for the most part to the category of propriety or independent directors. Also, the proportion of proprietary directors as a percentage of the total non-executive directors should not exceed the proportion of the Parent's capital they represent.
- Any director may propose candidates for the Board of Directors, provided they meet the requirements established in the Parent's various corporate governance rules.
- The Company shall receive the assistance of outside counsel to validate the candidates for director.
- During the candidate selection process, all implicit discriminatory biases will be avoided and, in particular, those hindering the selection of female directors.

(iii) Conditions to be met by the candidates for director:

- They should be honourable, suitable, of acknowledged solvency, training, competence, experience, qualification, and be available for, and committed to, their function.
- They shall be professionals whose conduct and career path are in line with the respect for the Law and good commercial practices, complying, in addition, with the current legal provisions at all times to be able to be part of a management body.
- The search for candidates with knowledge and experience in the main countries and industries where the Group carries out their business will be encouraged.
- The Nomination and Remuneration Committee should ensure that the non-executive directors have sufficient time available for the correct discharge of their functions. In this connection, the directors may not, save for express authorisation from the Board, subject to a report from the Nomination and Remuneration Committee, form part of more than eight Boards, excluding:

  - Boards of companies forming part of the same Group as the Parent;
  - Boards of family or asset-holding companies of the directors or their relatives; and
  - Boards of which they form part as a result of a professional relationship.

(iv) Impediments to be candidate for director:

- Those who are involved in an incompatibility lawsuit for the discharge of their position.
- The persons who do not meet the requirements set forth in the Corporate Governance System to be a director.
- Directors or senior executives of Spanish or foreign companies in the cement sector that might be considered the Parent's competitors.
- Natural or legal persons who discharge the position of director at more companies than permitted under the Board of Directors Regulations.
- The persons incurring in a situation of conflict of interest with the Company in compliance with the provisions of the Board of Directors Regulation.
- Those who have been involved in circumstances that might give rise to their membership of the Board of Directors damaging the Parent's name or reputation.

The Assembly may agree, at all times, to remove the directors when deemed fit for the interests of the company. Those declared incompatible to the extent and in the conditions established by the Incompatibilities Law and any other provision modifying it or widening its scope are barred from holding in the Company and, when applicable, to discharge duties in them.

Directors shall cease their role following the period for which they were appointed and, in all other events set fourth in Law, the Articles and the Board of Directors Regulation.

The amendment of the article of associations shall be agreed upon in the General Assembly and it requires the fulfillment of the requirements established in the Capital Companies Act.

Powers of the members of the Board of directors

Article 25 of the Articles of Association provides that the Board of Directors, acting collectively on behalf of the Company, is entitled to do and carry out anything included in the Company's object and to exercise all the powers not expressly reserved by Law or by the Articles to the General Assembly. On the other hand, article 5 of the Board of Directors Regulations lists the powers that the Board of Directors is not able to delegate.

Amongst the members of the Board of Directors, only the Chief Executive Officer holds powers to act on its own, according to the powers delegated to him or her at the time of the appointment.

Significant agreements that are amended or finalised in the event of a change in control

The company has subscribed, and filed for public knowledge at the National Securities Exchange Commission, five significant Agreements that are amended or finalised in the event of a change of control:

The first, signed on 15 May 2009 by Cementos Molins, S.A and Cemolins Internacional, S.L.U. on the one hand, and Buzzi Unicem, SpA and Buzzi Unicem Internacional, S.à.r.l, on the other hand, regarding the subsidiary Fresit, B.V. (Holland). This agreement has been replaced and superseded by the agreement entered into on 22 December 2015 by Cementos Molins, S.A. and Cemolins Internacional, S.L.U., of the one part, and Buzzi Unicem Spa and Buzzi Unicem International S.À.R.L., of the other part, relating to FRESIT BV and PRESA INTERNATIONAL BV and their investees.

The second, relating to Cementos Avellaneda, S.A. (Argentina) entered into on 18 December 2012, by Cementos Molins, S.A., Cemolins International, S.L.U. and Minus Inversora, S.A., of the one part, and the Votorantim Group, of the other part. The third, relating to Cementos Artigas, S.A. (Uruguay) entered into on 18 December 2012, by Cementos Molins, S.A. and Cemolins Internacional, S.L.U. of the one part, and the Votorantim Group, of the other part. (Uruguay).

The fourth, entered into on 31 July 2014 by Cementos Molins S.A. and Cemolins Internacional S.L.U., of the one part, and Votorantim Cimentos EAA Inversiones, S.L.U. and Votorantim Cimentos, S.A., of the other part, related to Yacuces, S.L. and its subsidiaries in Bolivia.

The fifth, relating to the Colombian subsidiaries Insumos y Agregados de Colombia, S.A.S. Empresa Colombiana de Cementos S.A.S., entered into on 30 September 2015, by Cementos Molins, S.A. and Cemolins Internacional, S.L.U., of the one part, and Suministros de Colombia S.A.S. and Corona Industrial S.A.S., of the other part.

All five agreements provide that change of control of either of the parties grants the other party a pre-emption right on the ownership interest held by the party whose control changes of the companies that are the subject-matter of the agreement.

Agreements between the Company, the directors, management members or employees that set forth compensations when their relationship with the Company is terminated as a result of a takeover bid

In the commercial contracted signed by the Company and the Chief Executive Officer it is set forth that he/she shall be entitled to a compensation equal to three (3) annuities of their monetary compensation, including the variable components of his remuneration, in the event of a change in the control structure of the Company within the meaning of article 42 of the Commercial Code by reference to article 4 of the Securities Market Law, including as a result of a public tender offer for the shares of the Company, or assignment or transfer of all or a relevant part of its activity or of its assets and liabilities to a third party, or integration into another business group that acquires control of the Company in such a way that it has the effect of renewing its governing bodies or a substantial change in its business strategy as it may result in each case of its business plan.

In two agreements signed by the Company and two management members, the compensation to be paid would correspond to an unfair dismissal under the common labour legislation, for the amount currently in force at all times and, at the very minimum, a compensation equal to three annuities of their annual gross remuneration, in the event set out in section d) of article 10.3 of Royal Decree 1382/1985, that is, in the event of a succession of the business or a significant change in its ownership that causes the renewal of its governing bodies or in the contents or purpose of the main activity of the company.

Corporate Governance Annual Report

As an annex to this consolidated Management Report, the Annual Report of Corporate Governance is presented, which is an integral part of the consolidated Management Report of Cementos Molins Group for the financial year 2017.

ANNEX I

CORPORATE GOVERNANCE ANNUAL REPORT FOR LISTED COMPANIES

DATA IDENTIFYING THE ISSUER

REPORTING DATE OF YEAR IN QUESTION	31/12/2017

EMPLOYER IDENTIFICATION NUMBER	A-08017535

COMPANY NAME
CEMENTOS MOLINS, S.A.

REGISTERED OFFICE
CALLE ESPRONCEDA 38, LOCAL 3 (MADRID)

CORPORATE GOVERNANCE ANNUAL REPORT

FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

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

Date of last change	Share capital (€)	Number of shares	Number of voting rights
30/06/2005	19,834,701.00	66,115,670	66,115,670

Indicate whether there are different classes of shares carrying different rights:

Yes ☐ No ☒

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

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR JOAQUIN Mª MOLINS GIL	0	15,893,000	24.04%

Name or company name of holder of indirect ownership interest	Through: name or company name of holder of direct ownership interest	Number of voting rights
MR JOAQUIN Mª MOLINS GIL	CARTERA DE INVERSIONES C.M., S.A.	15,893,000

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

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

Name or company name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR JUAN MOLINS AMAT	47,921	0	0.07%
CARTERA DE INVERSIONES C.M., S.A.	15,893,000	0	24.04%
OTINIX, S.L.	21,796,705	0	32.97%
FORO FAMILIAR MOLINS, S.L.	377	0	0.00%
FRANCISCO JAVIER FERNÁNDEZ BESCÓS	500	0	0.00%
MR JOAQUIN Mª MOLINS LOPEZ-RODO	29,962	0	0.05%
MR JUAN MOLINS MONTEYS	14,870	0	0.02%
MIGUEL DEL CAMPO RODRÍGUEZ	1,000	0	0.00%
NOUMEA, S.A.	21,201,704	0	32.07%

% of total voting power held by the Board of Directors	89.25%

Fill in the following tables on the members of the company's Board of Directors who hold rights over shares in the company:

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

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

A.6 Indicate whether the company has been notified of any shareholders agreements that affect it in accordance with Arts. 530 and 531 of the Spanish Limited Liability Companies Law. If so, provide a brief description and list the shareholders that are party to the agreement:

Yes [X] No [ ]

Parties involved in the shareholders' agreement
OTINIX, S.L.
NOUMEA, S.A.
CARTERA DE INVERSIONES C.M., S.A.

Percentage of share capital affected: 81.81%

Brief description of the agreement:

Vote and share syndication agreement
The above percentage also included minority stakes of a series of individual shareholders involved in the Agreement, consistent with that provided to the Spanish National Securities Market Commission (CNMV) on 7 January 2016, under registration number 233834.

Indicate whether the company is aware of any concerted action among its shareholders. If so, provide a brief description:

Yes [X] No [ ]

Percentage of share capital affected: 81.81%

Brief description of the concerted action:

Vote and share syndication agreement
The above percentage also included minority stakes of a series of individual shareholders involved in the Agreement, consistent with that provided to the Spanish National Securities Market Commission (CNMV) on 14 January 2016, under registration number 2016002689.

Parties involved in concerted action
OTINIX, S.L.
NOUMEA, S.A.
CARTERA DE INVERSIONES C.M., S.A.

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

No.

A.7 Indicate, stating the name thereof, if applicable, whether any natural or legal person exercises, or can exercise, control over the company, in accordance with Article 4 of the Securities Market Law. If so, provide a description:

Yes ☐ No ☒

Observations

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

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
0	2,720,571	4.11%

(*) Through:

Name or company name of holder of direct ownership interest	Number of direct shares
CEMENTOS MOLINS INDUSTRIAL, S.A.U.	2,720,571
Total	2,720,571

Give details of any significant changes during the year, in accordance with Royal Decree 1362/2007, made during the year:

Explain the significant variances

In 2017 a total of 633 shares were acquired indirectly, representing 0.001% of the total share capital.

A.9 Give details of the conditions and time period of the current authorisation from the shareholders at the General Meeting for the Board of Directors to acquire or transfer treasury shares.

The shareholders at the General Meeting of 30 June 2015 adopted the following resolution, being item four on the agenda:

Authorising and empowering the Cementos Molins, S.A. Board of Directors, as well as those companies where CEMENTOS MOLINS, S.A. is the main parent company, to acquire, under the existing legal regulations, the shares of CEMENTOS MOLINS, S.A., within the existing limits and according to the following requirements:

a) the nominal value of the acquired shares, in addition to those already held by CEMENTOS MOLINS, S.A. and its subsidiary companies, does not exceed at any time 10% of the share capital.

b) the aforementioned acquisition, including those shares previously acquired by the company and held in its portfolio, shall not lead to the net equity being less than the amount of the share capital plus the legally or statutory-wise unavailable reserve.

c) the shares acquired shall be fully paid up.

d) since they are acquisitions for a value, they should be effected at a minimum price of the shares' nominal value and maximum of the stock market price at the time of acquisition, with express compliance of any other applicable legal requirements.

e) that this authorization is established for a period of five years starting from today, June 30 2015, without prejudice to the assumptions contemplated within the Law as those relating to free acquisition.

A.9.bis Estimated free float:

	%
Estimated free float	6.64

A.10 Indicate any legal or bylaw restrictions on the exercise of voting rights and any legal restrictions on the acquisition or transfer of ownership interests in the share capital. Indicate whether there are any legal restrictions on the exercise of voting power:

Yes ☐ No ☒

A.11 Indicate whether the shareholders at the General Meeting have resolved to take measures to neutralise a takeover bid pursuant to Law 6/2007.

Yes ☐ No ☒

Explain any measures approved and the situations in which the restrictions would be inoperative:

A.12 Indicate whether the company has issued any securities not traded on an EU-regulated market.

Yes ☐ No ☒

Explain any measures approved and the situations in which the restrictions would be inoperative:

B GENERAL MEETING

B.1 Indicate whether quorums for convening the general meeting differ from the system of minimum quorums established in the Spanish Limited Liability Companies Law (LSC). If so, give details.

Yes ☐ No ☒

B.2 Indicate and, if applicable, describe any differences between the rules established in the Spanish Limited Liability Companies Law (LSC) for adopting resolutions and the company's rules:

Yes ☐ No ☒

Describe the differences with respect to the rules established in the LSC.

B.3 Indicate the rules governing amendments of the company’s bylaws. In particular, notify the majorities foreseen for the amendment of the bylaws, and, where appropriate, the rules provided for the protection of the rights of the shareholders in the amendment of the bylaws.

This is a power reserved for the General Meeting pursuant to Article 160 (c) of the Spanish Limited Liability Companies Law and Article 3 of the General Meeting Regulations.

In accordance with Article 201 of the Spanish Limited Liability Companies Law, Article 16 of the bylaws and Article 9 of the General Meeting Regulations, the quorum required in the General Meeting for the amendment of the bylaws must feature shareholders holding one half of the subscribed voting shares on first call. On second call, shareholders holding at least 25% of the subscribed voting shares shall be present in person or by proxy. However, where shareholders holding less than 50% of the subscribed voting shares are present in person or by proxy, the resolutions relating to the amendment of bylaws may only be validly adopted with the affirmative vote of two-thirds of the share capital present in person or by proxy at the Meeting.

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

Date of General Meeting	Attendance data				
	% attendance in person	% attendance by proxy	% remote voting		Total
			Electronic voting	Others	
03/06/2016	93.80%	1.80%	0.00%	0.00%	95.60%
29/06/2017	93.95%	2.24%	0.00%	0.00%	96.19%

B.5 Indicate whether the bylaws contain any restrictions with respect to a minimum number of shares required to attend General Meetings:

Yes ☐ No ☒

B.6 Repealed section.

B.7 Indicate the URL and the means for accessing the Company's website the corporate governance information and other information on the General Meetings which should be made available to shareholders on the Company's website.

The Company URL is www.cemolins.es. On the homepage, click on the "Shareholders and Investors" section in the “Corporate Governance” submenu. The Corporate Governance Annual Report of at least the last five completed financial years appears on this page in pdf format. Information relating to the General Meetings can be found in the initial menu (home), “Shareholders and investors” section, “General Shareholders’ Meeting" submenu.

C MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 The maximum and minimum number of directors as per bylaws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Fill in the following table with the directors' particulars:

Name or company name of director	Representative	Board member type	Position on the Board	Date of first appt.	Date of last appt.	Appointment procedure
MR JUAN MOLINS AMAT		Propietary	CHAIRMAN	19/06/1967	29/06/2017	ANNUAL GENERAL MEETING RESOLUTION
CARTERA DE INVERSIONES C.M., S.A.	MR JOAQUIN Mª MOLINS GIL	Propietary	CHAIRMAN 1º	26/06/1996	30/05/2014	ANNUAL GENERAL MEETING RESOLUTION
OTINIX, S.L.	MS ANA Mª MOLINS LÓPEZ-RODÓ	Propietary	CHAIRMAN 2º	04/09/2015	04/09/2015	ANNUAL GENERAL MEETING RESOLUTION
MR JULIO RODRÍGUEZ IZQUIERDO		Executive	MANAGING DIRECTOR	30/06/2015	30/06/2015	ANNUAL GENERAL MEETING RESOLUTION
MR EUSEBIO DIAZ-MORERA PUIG-SUREDA		Independent director	DIRECTOR	31/05/2012	29/06/2017	ANNUAL GENERAL MEETING RESOLUTION
MS ANDREA KATHRIN CHRISTENSON		Independent director	DIRECTOR	30/06/2015	30/06/2015	ANNUAL GENERAL MEETING RESOLUTION
MS SOCORRO FERNANDEZ LARREA		Independent director	DIRECTOR	01/12/2017	01/12/2017	COOPTATION

Name or company name of director	Representative	Board member type	Position on the Board	Date of first appt.	Date of last appt.	Appointment procedure
MR JOAQUIN Mª MOLINS LOPEZ-RODO		Propietary	DIRECTOR	29/07/2009	30/05/2014	ANNUAL GENERAL MEETING RESOLUTION
NOUMEA, S.A.	MR PABLO MOLINS AMAT	Propietary	DIRECTOR	26/06/1996	29/06/2017	ANNUAL GENERAL MEETING RESOLUTION
FORO FAMILIAR MOLINS, S.L.	MS ROSER RÀFOLS VIVES	Propietary	DIRECTOR	28/06/2007	29/06/2017	ANNUAL GENERAL MEETING RESOLUTION
MR MIGUEL DEL CAMPO RODRÍGUEZ		Another non-executive director	DIRECTOR	21/05/2002	30/05/2014	ANNUAL GENERAL MEETING RESOLUTION
MR FRANCISCO JAVIER FERNÁNDEZ BESCÓS		Propietary	DIRECTOR	31/05/2012	29/06/2017	ANNUAL GENERAL MEETING RESOLUTION
MR JUAN MOLINS MONTEYS		Propietary	DIRECTOR	29/06/2017	29/06/2017	ANNUAL GENERAL MEETING RESOLUTION

Total number of directors	13

Indicate any removals of directors during the year:

Name or company name of director	Director's status at the time of removal	Leaving date
MR CASIMIRO MOLINS RIBOT	Propietary	25/06/2017
MR JOAQUIM MOLINS AMAT	Propietary	13/07/2017
MR EMILIO GUTIERREZ FERNANDEZ DE LIENCRES	Propietary	29/06/2017

C.1.3 Fill in the following tables on the members of the Board and their status:

EXECUTIVE DIRECTORS

Name or company name of director	Position per company organisation chart
MR JULIO RODRÍGUEZ IZQUIERDO	Managing Director

Total number of executive directors	1
Total % of Board	7.69%

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of significant shareholder represented or proposing appointment
MR JUAN MOLINS AMAT	NOUMEA, S.A.
MR FRANCISCO JAVIER FERNÁNDEZ BESCÓS	CARTERA DE INVERSIONES C.M., S.A.
MR JOAQUIN Mª MOLINS LOPEZ-RODO	OTINIX, S.L.
CARTERA DE INVERSIONES C.M., S.A.	CARTERA DE INVERSIONES C.M., S.A.
NOUMEA, S.A.	NOUMEA, S.A.
OTINIX, S.L.	OTINIX, S.L.
FORO FAMILIAR MOLINS, S.L.	NOUMEA, S.A.
MR JUAN MOLINS MONTEYS	NOUMEA, S.A.

Total number of proprietary directors	8
Total % of Board	61.54%

INDEPENDENT NON-EXECUTIVE DIRECTORS

Name or company name of director:

EUSEBIO DIAZ-MORERA PUIG-SUREDA

Profile:

Graduate in Economics and Master's Degree from IESE. Extensive knowledge of the financial sector. Proposed by the Remuneration and Appointments Commission.

Name or company name of director:

MS ANDREA KATHRIN CHRISTENSON

Profile:

Graduate in Economic and Social Sciences from Vienna University of Economics and Business, MBA from IESE, Universidad de Navarra, AMP (Advanced Management Program) from IESE, Universidad de Navarra and Diploma in Dispute Resolution from the Munich Dispute Resolution Institute. Proposed by the Remuneration and Appointments Commission.

Name or company name of director:

MS SOCORRO FERNANDEZ LARREA

Profile:

Civil Engineer graduated from the Technical University of Madrid, class of 1990. Holds a APM from IESE, class 2011. Proposed by the Remuneration and Appointments Commission.

Total number of independent directors	3
Total % of Board	23.08%

Indicate whether any director classified as independent receives from the company or the group any payment or benefits other than directors' remuneration, or has o has had, in the preceding year, business dealings with the company or any group company on their own account or as a significant shareholder, director or senior executive of a company that has or has had such dealings.

No.

Where applicable, a reasoned declaration from the board shall be included giving the reasons why it considers that the director in question may discharge his/her functions as an independent director.

OTHER NON-EXECUTIVE DIRECTORS

Identify other non-executive directors and give details of the reasons why they cannot be considered proprietary or independent directors and of their relationship links with the company, its executives or shareholders.

Name or company name of director:

MIGUEL DEL CAMPO RODRÍGUEZ

Company, executive or shareholder with whom he retains the link:

MIGUEL DEL CAMPO RODRÍGUEZ

Reasons:

Miguel del Campo Rodríguez has changed from independent director to other external directors after having been a company director for over 12 years.

Total number of other non-executive directors	1
Total % of Board	7.69%

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

Name or company name of director	Date of the change	Previous category	Current category
MIGUEL DEL CAMPO RODRÍGUEZ	27/07/2017	Independent director	Another non-executive director

C.1.4 Fill in the following table with the information relating to the number of female directors in the last 4 years, and the classification thereof:

	Number of female directors				% by type of director of total directors			
	Year 2017	Year 2016	Year 2015	Year 2014	Year 2017	Year 2016	Year 2015	Year 2014
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Propietary	2	2	2	2	25.00%	20.00%	20.00%	22.22%
Independent director	2	1	1	0	66.66%	33.33%	33.33%	0.00%
Other non-executive directors	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	4	3	3	2	30.77%	21.43%	21.43%	16.67%

C.1.5 Explain any measures, where applicable, that have been taken to try to include in the Board of Directors a certain number of women to achieve a balanced presence of women and men.

Detail of measures
Over the past few years, the Board of Directors has tried to increase the number of female directors in the Board of Directors. For this reason, the Board of Directors' Regulations establish that vacancies must be filled giving priority to diversity in terms of gender, expertise and knowledge. Additionally, the Selection and appointment policy for Directors aims, among others, at promoting the balanced representation of mean and women within the Board of Directors, avoiding any implicit discriminatory biases due to any reason whatsoever. In accordance with the Board of Directors' Regulations and the Selection and Appointment Policy for Directors, over the past few years, the selection of female directors has been promoted, reaching a percentage equivalent to 30% of female directors.

C.1.6 Explain any measures agreed upon by the nomination committee, where applicable, to ensure that the selection process does not suffer from any implicit bias against women candidates and that women with the target profile are deliberately sought and included as potential candidates:

Detail of measures
As part of the selection processes to cover the vacancies in the Board of Directors, there has been a deliberate search for candidates who, meeting the required profile previously defined by the Remuneration and Appointments Commission and in line with the Selection Policy for Directors, were women.

When, in spite of any measures which might have been adopted if appropriate, there are few or no female directors, explain the reasons justifying the situation:

Explanation of the reasons
The current number of female directors is four, representing 30.77% of the total members in the Board of Directors.

C.1.6 bis Explain the conclusions of the Nomination Committee regarding the verification of compliance with the director selection policy. In particular, in relation to how this policy is fostering the objective that by 2020 female directors should represent, at least, 30% of the total members of the Board of Directors.

Detail of conclusions
During the financial year 2017, the Remuneration and Appointments Commission, in the discharge of its duties in connection with the report or proposal with regards to the appointment of directors, has verified compliance with the Selection Policy for Directors, having concluded that the objectives established in the Corporate Governance Recommendations have been met, since the Company covered one of the vacancies for a post of Director following the death of the President Mr Casimiro Molins Ribot and the director Mr Joaquim Molins Amat, both of them proprietary directors, through the appointment of an independent director, Ms Socorro Fernández Larrea. Currently, gender diversity has been promoted with regards to selection, with female directors representing 30.77% of the Board of Directors.

C.1.7 Explain the form of representation on the board of the shareholders holding a significant ownership.

The managing bodies of the shareholders holding a significant ownership interest participating in the concerted action agreement described in section A.6 (Otinix, S.L., Cartera de Inversiones C.M., S.A. and Noumea, S.A.), propose, by mutual agreement, the nomination of 7 of the 8 proprietary directors and the significant shareholder Noumea, S.A., also proposes the nomination of Foro Familiar Molins, S.L.

C.1.8 Explain the reasons for the appointment of any proprietary directors at the request of shareholders controlling less than 3% of the share capital:

Indicate any rejection of a formal request for a place on the Board from shareholders whose ownership interest is equal to or greater than that of others whose nomination of proprietary directors was accepted. Explain the reasons for the rejection.

Yes ☐ No ☒

C.1.9 Indicate whether any directors resigned from office before the expiration of their term of office, whether and in what manner the director explained the reasons for resignation to the Board and, in the event that resignation was tendered in writing to the Board in full, detail below the reasons given by the director:

C.1.10 Indicate what powers, if any, that have been delegated to the chief executive officer(s):

Name or company name of director:

MR JULIO RODRÍGUEZ IZQUIERDO

Brief description:

The Chief Executive Officer may, individually, exercise all the powers of the Board of Directors, except those which by law cannot be delegated, in accordance with the resolutions of the Board of Directors meeting held on 30 June 2015.

C.1.11 Identify, as appropriate, the Board members who hold office as directors or executives at other companies forming part of the listed company's group:

Name or company name of director	Name of Group entity	Position	Executive functions
MR JUAN MOLINS AMAT	CEMOLINS INTERNACIONAL, S.L.U.	CHAIRMAN	NO
MR JUAN MOLINS AMAT	CORPORACION MOCTEZUMA S.A. DE C.V.	CHAIRMAN	NO
MR JULIO RODRÍGUEZ IZQUIERDO	INSUMOS Y AGREGADOS DE COLOMBIA S.A.S.	DIRECTOR	NO
MR JULIO RODRÍGUEZ IZQUIERDO	EMPRESA COLOMBIANA DE CEMENTOS S.A.S.	DIRECTOR	NO
MR JULIO RODRÍGUEZ IZQUIERDO	SOTACIB KAIROUAN, S.A.	CHAIRMAN	NO
MR JULIO RODRÍGUEZ IZQUIERDO	CEMENTOS ARTIGAS, S.A.	DEPUTY CHAIRMAN	NO
MR JULIO RODRÍGUEZ IZQUIERDO	SOCIETE TUNISO-ANDALOUSE DE CIMENT BLANC. DE CIMENT BLANC SOCIETÉ SOTACIB, S.A.	CHAIRMAN	NO
MR JULIO RODRÍGUEZ IZQUIERDO	LAFARGEHOLCIM BANGLADESH LIMITED	DIRECTOR	NO
MR JULIO RODRÍGUEZ IZQUIERDO	CEMOLINS INTERNACIONAL, S.L.U.	DIRECTOR	NO
MR JULIO RODRÍGUEZ IZQUIERDO	CORPORACION MOCTEZUMA S.A. DE C.V.	DIRECTOR	NO
MR JULIO RODRÍGUEZ IZQUIERDO	CEMENTOS AVELLANEDA, S.A.	CHAIRMAN	NO
MR JULIO RODRÍGUEZ IZQUIERDO	MINUS INVERSORA, S.A.	CHAIRMAN	NO

C.1.12 Give details, as appropriate, of any directors of the company who are members of the boards of directors of other non-group companies that are listed on official securities markets, as disclosed to the company:

Name or company name of director	Name of Group entity	Position
CARTERA DE INVERSIONES C.M., S.A.	COMPAÑIA GENERAL DE INVERSIONES SA SICAV	CHAIRMAN
MS SOCORRO FERNANDEZ LARREA	RED ELÉCTRICA CORPORACIÓN, S.A.	DIRECTOR

Name or company name of director	Name of Group entity	Position
CARTERA DE INVERSIONES C.M., S.A.	GESIURIS ASSET MANAGEMENT SGIIC, S.A.	DIRECTOR

C.1.13 Give details, where appropriate, of any rules established by the Company with respect to the number of boards to which its directors may belong:

Yes [X] No [ ]

Detail of rules
Detail of rules Article 16.8 of the Board of Directors Regulations establishes that the Nomination and Remuneration Committee shall ensure that the non-executive directors have enough time to correctly discharge their functions. In this connection, the directors may not, unless expressly authorised by the Board, with a prior report from the Nomination and Remuneration Committee, be members of more than eight Boards, excluding (i) the Boards of companies in the same group as the Company, (ii) the Boards of family or asset-holding companies of the directors or their relatives and (iii) the Board of which they are members due to their professional relationship.

C.1.14 Repealed section.

C.1.15 Indicate the total remuneration of the board of directors:

Remuneration of the board of directors (thousands of euros)	1,461
Amount of pension rights accumulated by current directors (thousands of euros)	2,498
Amount of pension rights accumulated by former directors (thousands of euros)	0

C.1.16 Identify the senior executives who are not executive directors and indicate the total remuneration paid to them during the year:

Name or company name	Position
MR SALVADOR FERNÁNDEZ CAPO	General Manager - Operations
MR CARLOS MARTÍNEZ FERRER	Corporate General Manager
MR JORDI MOLINS AMAT	Director of the Corporate Law Department
MR MARCOS CELA REY	Business Director Bangladesh, Tunisia and Colombia
MR ÁNGEL CERCÓS CASALÉ	Strategy and Sustainability Manager
MS EVA GONZÁLEZ ANDREU	Corporate Human Resources Director
MR XAVIER ESCUDÉ TORRENTE	Manager Management Control
MR JUAN MOZO GÓMEZ	Internal Auditor
MR FRANCISCO JAVIER MOLINS AMAT	Manager for Argentine, Uruguayan and Bolivian investees
MR SANTIAGO CALVO JIMÉNEZ	Corporate Technical Manager

Total remuneration of senior executives (thousands of euros)	2,836

C.1.17 Indicate, as appropriate, which members of the Board are, in turn, members of the Boards of Directors of companies that hold significant ownership interests and/or Group companies:

Name or company name of director	Company name of significant shareholder	Position
MR JUAN MOLINS AMAT	CARTERA DE INVERSIONES C.M., S.A.	CHAIRMAN
MR JUAN MOLINS AMAT	NOUMEA, S.A.	DIRECTOR
MR JOAQUIN Mª MOLINS LOPEZ-RODO	OTINIX, S.L.	DIRECTOR

Give details, as appropriate, of any material relationships, other than those envisaged under the preceding heading, of the members of the Board of Directors with significant shareholders and/or at group companies:

C.1.18 Indicate the amendments, if any, to the Board Regulations during the year:

Yes ☐ No ☒

C.1.19 Indicate the procedures for the appointment, re-election, evaluation and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

The shareholders at the General Meeting or, where appropriate, the Board of Directors shall have the power to designate the members of the Board in conformity with the Spanish Public Limited Liability Companies Law (LSC) and in the Articles of Association.

In order to be a Director, it is not necessary to be a shareholder. To fill vacancies arising during the director appointment period, in which case the Board will be able to appoint the people that will fill these positions until the next General Meeting.

The Board of Directors currently has thirteen members. Directors are appointed by the Annual General Meeting for a maximum of 4 years, although they may be re-appointed on an indefinite basis for periods of up to four years each term, except for the directors considered to be independent, who shall not remain in their position as independent directors for a continuous period of more than 12 years.

The proposal for the appointment or re-election of directors which the Board submits to the General Meeting, as well as provisional appointments by the method of co-optation, shall be approved by the Board of Directors:

(i) on the proposal of the Remuneration and Nomination Committee, in the case of independent directors, or
(ii) subject to a report from the Nomination Committee in all other cases.

The proposal must be accompanied by a supporting report from the Board that assesses the competence, experience and merits of the proposed candidate.

At the Board of Directors meeting held on 28 April 2016, the director selection policy was approved, the main contents of which is as follows:

(i) Objectives of the candidate selection:
- To appoint people who will foster diversity of knowledge, experience and gender on the Board.
- To aim for at least 30% of the total members of the Board being female in 2020.

(ii) Selection processes:
- The Board of Directors, subject to a report from the Nomination and Remuneration Committee, should conduct prior analysis of the Company's needs.
- To aim for the Board having a balanced makeup, with an ample majority of non-executive directors and an appropriate ratio of proprietary and independent directors.
- The Molins family owns an ample majority of the Company's share capital. Since the appointment of directors normally takes place through application of the proportionality system established in the Spanish Limited Liability Companies Law, substantially all of the directors are proprietary and independent directors. Also, the proportion of proprietary directors as a percentage of the total non-executive directors should not exceed the proportion of the Company's capital they represent.
- Any director may propose candidates for the Board of Directors, provided they meet the requirements established in the Company's various corporate governance rules.
- The Company may collaborate with external advisers in the validation of candidates.
- The selection process should avoid any manner of implicit bias that might entail discrimination and, specifically, that hinders the selection of female directors.

(iii) Candidates should meet the following requirements:
- They should be honourable, suitable, of acknowledged solvency, training, competence, experience, qualification, and be available for, and committed to their function.
- They should be professionals whose conduct and career are aligned with respect for the law and good commercial practices.

- The Nomination and Remuneration Committee should ensure that the non-executive directors have sufficient time available for the correct discharge of their functions. In this sense, Directors cannot, unless with the express authorisation of the Board, after a report from the Remuneration and Appointments Commission, form part of more than 8 boards of directors. The foregoing does not apply to:
- Boards of Group Companies,
- Boards of family companies of Directors or their families and
- Boards of which they form part as a result of a professional relationship.

(iv) Barriers to being a candidate for the Board of Directors.
- Those who are involved in an incompatibility lawsuit for the discharge of their position.
- Those who do not meet the requirements to be a director established in the corporate governance system.
- Directors or senior executives of Spanish or foreign companies in the cement sector that might be considered the Company's competitors.
- Natural or legal persons who discharge the position of director at more companies than permitted under the Board of Directors Regulations.
- Those who are in a situation of conflict of interest with the Company.
- Those who have been involved in circumstances that might give rise to their membership of the Board of Directors damaging the Company's name or reputation.

At all times, the General Meeting may resolve the removal of the directors when deemed appropriate for the interests of the Company. Directors shall cease to sit on the Board when the period for which they were appointed elapses, and in all other cases provided for by law, the bylaws or the Board of Directors Regulations.

In accordance with the provisions of Article 11 of the Board of Directors Regulations, the Board of Directors in plenary session shall assess once a year, inter alia, the efficiency of the functioning of the Board and of its committees, the diversity of its makeup and the performance of each director.

On the basis of the outcome of this evaluation, the Board of Directors shall propose an action plan correcting the identified deficiencies. The result of the evaluation shall be recorded in the minutes of the meeting and attached thereto as an appendix.

C.1.20 Describe to what extent the annual assessment has given rise to important changes in its internal organisation and on the procedures applicable to its activities:

Description of the amendments
The annual self-assessment did not give rise to any important changes in the internal organisation of or the procedures applicable to the Board.

C.1.20.bis Describe the assessment and the areas assessed by the Board of Directors, aided, where applicable, by an external adviser, in relation to the diversity of its composition and its competencies, of the functioning and composition of its committees, of the performance of the Chairman of the Board and the chief executive of the Company and the performance and contribution of each director.

On a yearly basis, typically in November, the Committee commissions an external consultant to prepare a questionnaire to be used, after being completed by the directors, as the basis for a report issued by the consultant, which will be subsequently analysed by the Board itself with regards to its functioning.

The aforementioned questionnaire, with a total of 35 questions, is divided in three different sections:

A.- Assessment of the quality and efficiency of the Board's operations with regard to the Board's composition and dynamics, the creation of value and strategy, transparency and relationship with shareholders, Corporate Governance and Corporate Social Responsibility (RSC).

B.- Assessment of the functioning of the Delegated Commissions of the Board of Directors, assessment of the Auditing and Compliance Commission and the Remuneration and Appointments Commission.

C.- Self-evaluation of the Board of Directors in order to gather opinions and suggestions on the self-evaluation process itself.

After issuing this Report, the Remuneration and Appointments Commission analyses its content and submits to the Board of Directors the final part of the process to self-evaluate the Board of Directors.

The Board of Directors decided not to carry out individual assessment of the directors. After this, the Board at its meeting on 27 February 2017, in the light of the Reports prepared by the Remuneration and Appointments Commission, the Auditing and Compliance Commission as well as the report issued by the external consultant, unanimously agreed to consider that the assessment of the quality and efficiency of the functioning of the Board of Directors, the Auditing and Compliance Commission and the Remuneration and Appointments Commission had been completed.

Similarly, at the meeting of the Remuneration and Appointments Commission held on 27 February 2017, after analysing the consultant's Report, it was agreed to present it in the plenary of the Board Meeting to be held, in order to self-assess it, as was done. At the same meeting, the action plans to correct the weaknesses detected in the assessment were proposed to the Board of Directors and, after the assessment conducted by the Committee itself, it was proposed that the performance of the functions carried out by the President and the CEO should be regarded as satisfactory by the Board, as the Board of Directors actually agreed.

C.1.20. ter Disclosure, if any, of the business relationships that the adviser or any company from its group has with the company or any company from its group.

The external adviser used for the assessment of the Board of Directors is Miguel Trías Sagnier, partner of Cuatrecasas Gonçalves Pereira.

In 2017 this firm had the following business relationships with Cementos Molins, S.A. and the companies in its Group:

- Tax advisory services to the Cementos Molins Group.
- Legal advice to study the change of registered office of the Group companies.
- Advisory services and participation in the recovery of the excise tax on the retail sale of certain hydrocarbons by the subsidiaries Promotora Mediterránea-2, S.A.
- Social Security Report.

C.1.21 Indicate the cases in which the directors must resign.

1. Pursuant to Article 15 of the Board Regulations, proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

2. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Remuneration and Nomination Committee. In particular, just cause will be presumed to exist when a director moves into new positions or incurs new obligations preventing them from devoting the necessary time to perform the duties inherent to a director, when they are in breach of the duties inherent to their post or when they are in the any of the circumstances resulting in the loss of their independent status according to the applicable legislation.

3. The removal of independent directors resulting from Public Acquisitions, Fusions or other similar company operations that suppose a change in the structure of the Company's share capital may also be proposed, when such changes in the structure of the Board of Directors are caused by the proportionality criteria established in the Company.

4. The directors are required to notify and, if appropriate, resign in the event that the credit and reputation of the Company may be prejudiced. In particular, the Directors are required to notify the Board of Directors of any criminal charges brought against them, in addition to the status of any subsequent court or legal proceedings. In the event of the director being prosecuted or having a court order issued against them initiating trial proceedings for any of the crimes set out in Spanish Company Legislation, the Board shall examine the case as soon as possible and, depending on the specific circumstances, shall decide whether or not the director should continue to hold office. The Board shall also disclose all such determinations, giving a reasoned account thereof, in the Annual Corporate Governance Report.

C.1.22 Repealed section.

C.1.23 Are qualified majorities, other than statutory majorities, required for any type of decision?:

Yes ☐ No ☒

If so, describe the differences.

C.1.24 Explain whether there are any specific requirements, apart from those relating to directors, to be appointed chairman.

Yes ☐ No ☒

C.1.25 State whether the chairman has a casting vote:

Yes [X] No [ ]

Matters on which there is a casting vote
Article 28 of the bylaws and Articles 10 and 21 of the Council Regulation indicate that voting the Chairman of the Board of Directors shall be casting vote in the event of a tie, except in the event of permanent delegation of powers.

C.1.26 Indicate whether the bylaws or the Board Regulations set any age limit for directors:

Yes [ ] No [X]

C.1.27 Indicate whether the bylaws or Board Regulations set a limited term of office for independent directors, other than that established in the legislation:

Yes [ ] No [X]

C.1.28 Indicate whether the bylaws or the Board of Directors' Regulations establish specific rules for appointing proxies to vote at Board meetings, how they are granted and, in particular, the maximum number of proxies that a single director may hold and whether it is obligatory to appoint proxies to a director of the same type. If so, provide a brief description of the rules.

Article 10.2 of the Board Regulations provides that directors may appoint any other director as his/her proxy for the Board meeting without limiting the number of proxies that each director may hold. Only non-executive directors may delegate their representation to another non-executive. The representation shall be granted with proper instructions.

Article 28 of the bylaws states that proxies shall be granted in a letter to the Chairman.

C.1.29 Indicate how many Board of Directors meetings were held during the year. Also indicate any occasions on which the Board held meetings in which the Chairman was not present. The calculation of attendance shall include proxies granted with specific instructions.

Number of Board meetings	15
Number of Board meetings without chairman's attendance	3

If the President is executive director, indicate the number of meetings held without the assistance or representation of any executive director and chaired by the coordinating director.

Number of meetings	0

Indicate how many meetings of the various Board committees were held during the year:

Committe	Number of meetings
AUDIT COMMITTEE	8
REMUNERATION AND APPOINTMENTS COMMISSION	10

C.1.30 Indicate the number of Board meetings held during the year that were attended by all the directors. The calculation includes the attendance of representatives granted without specific instructions.

Number of meetings attended by all the directors	11
Attendance as % of the total votes during the year	73.33%

C.1.31 Indicate whether the separate and consolidated financial statements submitted for approval by the Board are certified previously:

Yes [X] No [ ]

Indicate, as appropriate, the person(s) who certified the company's separate and consolidated financial statements for authorisation for issue by the Board:

Name	Position
MR CARLOS MARTÍNEZ FERRER	CORPORATE GENERAL MANAGER
MR ANTONIO MARTÍN DEL RÍO	GENERAL MANAGER - CEMENTOS MOLINS INDUSTRIAL, S.A.U.

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent qualified auditors' reports on the separate and consolidated financial statements prepared by it from being submitted at the General Meeting.

The Audit Committee shall support the Board of Directors in relation to its surveillance duties through the periodic review of the economic and financial information preparation process, the company s internal controls and the independence of the company s external auditor. As provided by the Article 27.4 of the Board of Directors’ Regulations.

In performing its functions, the Audit Committee must evaluate the need to adapt the financial statements prepared by the Board of Directors on the basis of the notes or qualifications outlined by the company's auditors and, accordingly, make a proposal to the Board of Directors so that it can make an informed decision. If it is not possible to adapt the financial statements in order to avoid a qualified auditors' report, the Chairman of the Audit Committee and the company's auditors shall give a clear account to the shareholders of the notes or qualifications.

C.1.33 Is the Board secretary a director?

Yes [ ] No [X]

If the secretary is not a director, complete the following chart:

Name or company name of the secretary	Representative
MR JORDI MOLINS AMAT	

C.1.34 Repealed section.

C.1.35 Indicate the mechanisms, if any, established by the Company to preserve the independence of the auditors, of financial analysts, investment banks and of rating agencies.

Article 27.8.1 of the Board of Directors Regulations stipulates that the Audit Committee is responsible, inter alia, for ensuring the independence of the external auditors, for such purpose:

(i) Establishing the proper relationships with the external auditor to receive information on matters that may compromise their independence, to be examined by the Auditing and Compliance Commission, and on any other matters related to the development process of the accounts audit, and, when applicable, the authorisation of services other than those forbidden, in the terms set forth by the applicable regulations in regards to the independence regime, as well as any other communications provided by law regarding accounts auditing and by the audit regulations. In any event, each year the auditors will be required to furnish written confirmation of their independence with respect to the entity or entities related directly or indirectly to the company, as well as the information on any manner of additional services provided to the aforementioned entities by the auditors, or by any legal persons o entities related thereto, in accordance with the Audit Law.
(ii) Issue annually, prior to the issue of the auditor's report, a report expressing an opinion on the independence of the auditors. This report must contain, in any case, an assessment motivated from the provisions of each and every additional service referred to in the previous section, considered individually and as a group, different to the legal audit and in relation to the independence regime or the governing regulations of the accounts audit activity.
(iii) Ensure that the remuneration of the external auditor for its work does not compromise its quality or their independence.
(iv) Supervise that the company notifies any change of auditors to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditors and the reasons therefore.
(v) The Committee should ensure that the company and the auditors adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditors' business and, in general, other requirements designed to safeguard auditors' independence.
(vi) The Committee should investigate the issues giving rise to the resignation of any external auditors;
(vii) Prevail on the Group's auditors to take on the audit of the Group companies.
(viii) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session to inform it of the work performed and the changes in the accounting situation and risks of the Company.

Likewise, in 2017, the Board of Directors of Cementos Molins, S.A. approved the Relations and Recruitment Policy jointly with the auditor. This Policy aims at defining the guidelines followed by the Cementos Molins Group to contract auditors of both individual and consolidated financial statements, thus ensuring compliance with the applicable Account Auditing Law. Additionally, this policy defines the guidelines for independence, transparency and relationship between both parties in order to guarantee them.

C.1.36 Indicate whether the Company changed its external auditors during the year. If so, specify the outgoing and incoming auditors.

Yes ☐ No ☒

In the event of any disagreement with the outgoing auditors, specify the substance thereof:

C.1.37 Indicate whether the audit firm performs other non-audit work for the Company and/or its Group, and if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the Company and/or its Group:

Yes ☒ No ☐

	Company	**Group**	**Total**
Amount of other non-audit work (thousands of euros)	7	20	27
Amount of other non-audit work / total amount billed by audit firm (as a %)	7.78%	7.65%	7.68%

C.1.38 Indicate whether the auditors' report for the previous year included any reservations or qualifications. If so, specify the reasons given by the chairman of the Audit Committee to explain the content and scope of the reservations or qualifications.

Yes ☐ No ☒

C.1.39 Indicate the number of years that the current audit firm has been uninterruptedly auditing the financial statements of the company and/or the group. Also indicate the number of years audited by the current audit firm as a percentage of the total number of years during which the financial statements have been audited:

	Company	Group
Number of uninterrupted years	28	28
Number of years audited by current audit firm / number of years the company has been audited (as a %)	100.00%	100.00%

C.1.40 Indicate whether there is a procedure for directors to be able to receive outside advisory services, and if so, give details:

Yes ☒ No ☐

Details of the procedure

Article 18 of the Board Regulations establishes in relation to the directors' right to receive advisory services and information that:

1. The directors shall have access to all the Company's services and may, with the broadest powers, obtain the information and advisory services they need on any aspect relating to the Company, provided that it is required for the discharge of their duties. The right to information extends to the subsidiaries, whether domestic of foreign, and shall be channelled through the Chairman, the Chief Executive Officer, the General Manager or the Secretary of the Board, who shall meet the requests of the director, providing him or her with the information directly, offering the appropriate liaisons or making the necessary arrangements to fulfil his or her request.

2.- Regardless of the knowledge required of the directors to discharge their functions, the Company offers the directors refresher courses relating to such knowledge when advisable under the circumstances.

3.- The agenda of the sessions will indicate clearly those points on which the Board of Directors shall adopt a decision or a resolution so that the directors can study or gather the information required for the adoption thereof beforehand.
When on an exceptional basis due to emergencies, the Chairman wishes to submit for the approval of the Board decisions or resolutions that are not part of the agenda, the prior and express consent of the majority of the directors in attendance shall be necessary, which must be recorded in the minutes.

4.- The directors shall be regularly informed of the changes in the shareholder structure and of the opinion that the significant shareholders, investors and credit rating agencies have of the Company and its Group.

Also, as stipulated in Article 25.2 c) of the Regulations of the Board of Directors, the Audit Committee and the Nomination and Remuneration Committee may engage external advisors when they feel this is necessary for the discharge of their duties.

C.1.41 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance, and if so, give details:

Yes ☒ No ☐

Details of the procedure

As per Article 18.4 of the Regulations of the Board of Directors, the agenda of the sessions will indicate clearly those points on which the Board of Directors shall adopt a decision or a resolution so that the directors can study or gather the information required for the adoption thereof beforehand.

Furthermore, Article 21.5 of the aforementioned Regulations establishes for the Chairman of the Board, with the collaboration of the Secretary, the obligation to ensure that the directors receive, beforehand and sufficiently in advance of the meetings, sufficient information to deliberate on and adopt resolutions on the business to be transacted, unless the Board of Directors was called on an exceptional basis due to an emergency.

C.1.42 Indicate whether the company has established rules obliging directors to report and, if applicable, resign, in situations which could harm the company's good name and reputation and if so, give details:

Yes [X] No [ ]

Explain the rules
According to Article 15.5 of the Regulations of the Board of Directors, directors are obliged to report and, where appropriate, resign in cases that could damage the credit and reputation of the company. In particular, it is obligated to inform the Board of criminal cases in which they are involved, as well as their subsequent trial. In the event of the director being prosecuted or having a court order issued against them initiating trial proceedings for any of the crimes set out in Spanish Company Legislation, the Board shall examine the case as soon as possible and, depending on the specific circumstances, shall decide whether or not the director shall continue in their role. The Board shall also disclose all such determinations, giving a reasoned account thereof, in the Annual Corporate Governance Report.

C.1.43 Indicate whether any of the directors have informed the company of any indictments or the commencement of oral proceedings against him/her for any of the offences specified in Article 213 of the Spanish Public Limited Liability Companies Law:

Yes [ ] No [X]

Indicate whether the Board of Directors has examined the matter. If so, give reasons for the decision taken for the continuation or otherwise of the director in his/her position or, where applicable, detail the actions undertaken, or intended to be undertaken, by the Board of Directors at the date of this report.

C.1.44 Give details of the significant agreements entered into by the Company which take effect, are amended or terminated in the event of a change of control of the Company following a takeover bid and the effects thereof.

The company has entered into and deposited five shareholders agreements at the Spanish National Securities Market Commission for public knowledge.

The first, signed on 15 May 2009 by Cementos Molins, S.A. and Cemolins Internacional, S.L.U. on the one hand, and Buzzi Unicem, SpA and Buzzi Unicem Internacional, S.à.r.l. on the other hand, regarding the subsidiary Fresit, B.V. (Holland). This agreement has been replaced and superseded by the agreement entered into on 22 December 2015 by Cementos Molins, S.A. and Cemolins Internacional, S.L.U., of the one part, and Buzzi Unicem Spa and Buzzi Unicem International S.À.R.L., of the other part, relating to FRESIT BV and PRESA INTERNATIONAL BV and their investees.

The second, relating to Cementos Avellaneda, S.A. (Argentina) entered into on 18 December 2012, by Cementos Molins, S.A., Cemolins International, S.L.U. and Minus Inversora, S.A., on one part, and the Votorantim Group, on the other part. (Argentina).

Thethird, entered into on 18 December 2012, by Cementos Molins, S.A. and Cemolins Internacional, S.L.U. on one part, and the Votorantim Group, on the other part (Uruguay).

The fourth one, signed on 31 July 2014, by Cementos Molins, S.A. and Cemolins Internacional, S.L.U. on the one hand, and Votorantim Cimentos EAA Inversiones, S.L.U. and Votorantim Cimentos, S.A., on the other hand, regarding Yacuces, S.L. and its subsidiaries in Bolivia.

The fifth one, signed on 30 September 2015, by Cementos Molins, S.A. and Cemolins Internacional, S.L.U. on the one hand, and Suministros de Colombia S.A.S. y Corona Industrial S.A.S., on the other hand, regarding the Colombian investees Insumos y Agregados de Colombia, S.A.S. and Empresa Colombiana de Cementos S.A.S.

All five agreements provide that change of control of either of the parties grants the other party a pre-emption right on the ownership interest held by the party whose control changes of the companies that are the subject-matter of the agreement.

C.1.45 Identify in aggregate terms and indicate in detail the agreements between the Company and its directors, executives or employees which provide for termination benefits, guarantee or golden parachute clauses upon resignation or dismissal without justification or upon termination of the employment relationship as a result of a takeover bid or other kinds of transactions.

Number of beneficiaries: 3

Type of beneficiary:

CEO, General Managers.

Description of resolution:

The contract for services between the Company and the Chief Executive Officer establishes that he or she has the right to be paid benefits by the Company in the event of the termination and extinguishment of the service contract for any of the following reasons:

1.- Unilateral termination by the Chief Executive Officer due to serious breach by the Company of its obligations under the service contract.
2.- Unjustified, unilateral termination of the Service Contract by the Company, regardless of whether such termination is accompanied by the resignation or non-renewal of the CEO's position as member of the Company's Board of Directors.
3.- Unilateral termination by the Chief Executive Officer, together with simultaneous resignation from his or her post of director, in the event of a change in the control structure of the Company as provided for in Article 42 of the Spanish Commercial Code by reference to Article 4 of the Securities Market Law, even when it is as a result of a takeover bid for the shares of the Company, or of the assignment or transfer of all or a significant portion of its activities or its assets and liabilities to a third party, or of its inclusion in another business group that acquires control over the Company, which gives rise to the renewal of its governance bodies or a substantial change to its business strategy, in accordance with its business plan in each case.

Except for the circumstances set out in Point 3 above, the Chief Executive Officer shall have be entitled to a compensation equal to: (i) one hundred and fifty (150) per cent of their monetary remuneration, including the variable remuneration component foreseen in section 3.3.1 of the Service Contract, calculated on the remuneration for the year prior to the one in which the contract termination occurs if this termination in line with section 8.1 above occurs before 30 June 2017; (ii) seventy-five (75) per cent if this termination occurs after 30 June 2017 and before 30 June 2020; (iii) fifty (50) per cent if the Service Contract terminates after 30 June 2020 and 30 June 2021; (iv) forty-two (42) per cent if the Service Contract terminates after 30 June 2021 and before 30 June 2022; (v) thirty-four (34) per cent if the Service Contract terminates after 30 June 2022 and before 30 June 2023; (vi) twenty-six (26) per cent if the Service Contract terminates after 30 June 2023 and before 30 June 2024; and (vii) eighteen (18) per cent if the Service Contract terminates after 30 June 2024 and before 30 June 2025. If the termination occurs after 30 June 2025, the Chief Executive Officer shall be entitled to no compensation.

In the event of the termination of the contract for services as a result of the scenario envisaged in Point 3 above, the Chief Executive Officer shall have be entitled to benefits equal to three (3) years' monetary remuneration including the variable remuneration component, calculated on the remuneration for the year prior to the one in which the contract termination occurs.

Two agreements entered into by the Company and two directors establish that where the termination arises due to the Company's decision or due to the grounds established in Article 10.3 a), b) and c) of Royal Decree 1382/1985, the termination benefits to be paid shall be the termination benefits relating to unjustified dismissal in common employment legislation, in the amount in force at all times and, at least, equal to three years’ gross salary. The same termination benefits would be received by these directors in the circumstance established in Article 10.3 d) of Royal Decree 1382/1985, i.e. in the event of succession of the company or a significant change in the ownership thereof that results in a renewal of its governing bodies or the substance and approach of its main business.

Indicate whether these contracts have to be disclosed to and/or approved by the bodies of the company or of its group:

	Board of Directors	General Meeting
Body authorising the clauses	**Yes**	**No**

	Yes	No
Is the General Meeting informed of the clauses?		X

C.2 Committees of the Board of Directors

C.2.1 Details of all the committees of the Board of Directors, their members and the proportion of proprietary and independent directors that form them:

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
MR EUSEBIO DIAZ-MORERA PUIG-SUREDA	CHAIRMAN	Independent director
NOUMEA, S.A.	MEMBER	Propietary
OTINIX, S.L.	MEMBER	Propietary
MS ANDREA KATHRIN CHRISTENSON	MEMBER	Independent director
MS SOCORRO FERNANDEZ LARREA	MEMBER	Independent director

% of proprietary directors	40.00%
% of independent directors	60.00%
% of non-executive directors	0.00%

Explain the functions entrusted to this committee, describe the procedures and rules relating to the organisation and functioning thereof, and summarise its most significant actions in the year.

The functions, procedures and rules relating to the organisation and functioning of the Audit Committee are described in Article 27 of the Board Regulations.

27.1. The Auditing and Compliance Commission will have between three (3) and seven (7) members, who must be external consultants. At least the majority of the members of the Auditing and Compliance Commission will have to be independent consultants and one of them must have been assigned taking into account their knowledge and experience in accounting, auditing or both. The members of the Committee and its Chairman are appointed by the Board of Directors. The Board will also appoint a Secretary who will not be a member of the Commission, and this position will have to be exercised precisely, by the Secretary or the Vice-secretary of the Company's Board of Directors.

27.2. The members of the Auditing and Compliance Commission, and in particular its President, are to be appointed taking into account their knowledge and experience in accounting, auditing and risk management. As a whole, the members of the Auditing and Compliance Commission will have the necessary technical knowledge on the Company's sector of activity.

27.3. The term of position is two years and may be reappointed thereafter for successive periods of the same duration. The President of the Auditing and Compliance Commission will be selected among its independent consultants and it will be replaced every four years. Re-election will be possible after one year has elapsed since leaving office. Nevertheless, the Board of Directors may decide at any time the cessation of any member of the Commission when it deems appropriate.

27.4. The Auditing and Compliance Commission provides support to the Board of Directors in its monitoring tasks, by regularly reviewing the process for preparing the economic-financial information, the internal controls of the Company and independence the Company's External Auditor.

27.5 The Auditing and Compliance Commission will meet when called by its President, or at the request of two of its members, depending on the current needs and, at least, twice a year.

27.6. All employees or Directors are required to attend the meetings of the Commission and to collaborate and provide access to the information available when so required, and the Commission may request that said appearances take place with no other director present. The Commission may also request the attendance at its meetings of Auditors.

27.7. Cementos Molins, S.A. has an internal audit department which, under the supervision of the Auditing and Compliance Commission, ensures the proper operating of the internal information and control systems and which functionally depends on the President of the Auditing and Compliance Commission. The head of internal audit presents to the Audit Committee his annual work plan; reporting directly on any incidents arising during its development; and submitting an annual activity report.

On the other hand, Article 27.8 of the Regulations of the Board of Directors, available on the website of the Company, www.cemolins.es, details the functions of the Audit Committee in relation to the external auditor, the financial statements, the Internal Audit, the financial reporting, the Board of Directors, information systems and internal control, and the risk control and the management policy.

Insofar as the nature and roles of the Auditing Commission allow, the provisions of the Board of Directors regarding the operation thereof will apply to said Commission.

Furthermore, the most important activities of the Audit Committee in 2017 were as follows:

(i) Review of financial information for the year 2016, corresponding to the financial statements for the first half of 2017 and the information for the first and third quarter of 2017.
(ii) Evaluation of the existing control over the management processes of the computing systems supporting the Company's operations.
(iii) Validation of the various summarized reports on the Company's results, prior to their disclosure to the market.
(iv) Issuance of the report on the independence of the External Auditors and their related operations.
(v) Proposed renewal of Deloitte, S.L. as auditors of the Company for the 2018 financial year.
(vi) Review of the work carried out by Internal Audit in the different companies of the Cementos Molins Group.
(vii) Analysis of the Compliance Program, commissioned by Molins & Silva, Criminal Defense.
(viii) Corporate Governance Policies.
(ix) Ethics and Compliance Committee.

Identify the director who is a member of the Audit Committee who has been appointed taking into consideration his/her knowledge and experience in matters relating to accounting, audits or both, and provide information about the number of years the Chairman has held this position.

Name of experienced director	MR EUSEBIO DIAZ-MORERA PUIG-SUREDA
Number of years as Chairman	0

REMUNERATION AND APPOINTMENTS COMMISSION

Name	Position	Category
MS ANDREA KATHRIN CHRISTENSON	CHAIRMAN	Independent director
MR JOAQUIN Mª MOLINS LOPEZ-RODO	MEMBER	Propietary
CARTERA DE INVERSIONES C.M., S.A.	MEMBER	Propietary
FORO FAMILIAR MOLINS, S.L.	MEMBER	Propietary
MS SOCORRO FERNANDEZ LARREA	MEMBER	Independent director
MR MIGUEL DEL CAMPO RODRÍGUEZ	MEMBER	Another non-executive director

% of proprietary directors	50.00%
% of independent directors	33.33%
% of non-executive directors	16.67%

Explain the functions entrusted to this committee, describe the procedures and rules relating to the organisation and functioning thereof, and summarise its most significant actions in the year.

The functions, procedures and rules relating to the organisation and functioning of the Remuneration and Nomination Committee are described in Article 28 of the Board of Directors Regulations and are summarised as follows:

1. The Remuneration and Appointments Commission shall be made up of a minimum of three (3) and a maximum of seven (7) external directors, understood as those having no executive roles in the Company, to include at least two (2) independent directors. The members of the Committee and its Chairman are nominated by the Board of Directors and should be appointed on the basis that they have the appropriate knowledge, aptitudes and experience for the functions they are appointed to discharge. The Committee Charmain will be chosen from the independent directors who form part of the Committee. The Board will also appoint a Secretary who shall not be a member of the Commission, and this position will have to be discharged precisely, by the Secretary or the Vice-secretary of the Company's Board of Directors.

2. The term of such position is two years, and they can be re-elected for successive periods of the same length. Notwithstanding the above, the Board of Directors can agree to remove, at any time, any member of the Commission when it deems fit.

3. In addition to the functions legally assigned to it, the task of this Commission is to inform and advise the Board of Directors on its decisions falling under its area of competence. Specifically, it shall have the following functions:

a) To propose the Director remuneration policy to the Board of Directors, including that for the remuneration of general directors and those that carry out senior management duties and report directly to the Board, of executive committees or managing directors, in addition to the individual salary and other contractual terms and conditions of executive Directors, ensuring said policies are adhered to.

b) To verify adherence to the Company's payment policy.

c) To regularly review the payment policy applying to Directors and Senior Management, including share or share-based payment systems and their application. It must also ensure that individual remuneration is proportionate to that paid to other Company Directors and Senior Management.

d) To ensure that potential conflicts of interest do not prejudice the independence of external advice given to the Commission.

e) To verify the information on the remuneration of Directors and Senior Management contained in various corporate documents, including the Annual Report on Director Remuneration.

f) To submit to the Board the proposals for the appointment of independent Directors for their designation by co-optation or by way of a decision of the Annual General Meeting, in addition to the proposals for reelection or separation of said Directors by the Meeting.

g) Report appointment proposals of the remaining Directors for their designation by co-optation or by way of a decision of the Annual General Meeting, in addition to the proposals for reelection or separation of said Directors by the Annual General Meeting. The system for appointing the members of the Board Committees. To evaluate the competencies, knowledge and experience necessary for the Board, defining as a result the functions and aptitudes necessary for the candidates who must cover each vacancy, and evaluate the time required to duly perform their roles.

h) Report the proposals for the appointment and removal of senior executives and propose to the Board the basic terms and conditions of their contracts.

i) The Managing Director's proposals for the appointment and removal of senior management and the Board Members of other affiliate companies.

j) Examine and organise, as it deems suitable, the succession of the Chairperson and the first executive and, if appropriate, make proposals to the Board so that said succession takes place in an organised and well-planned fashion.

4. The Remuneration and Appointments Commission shall meet every time the Board or its Chairperson requests a report or the adoption of proposals and, in any case, when it is advisable for the proper performance of its functions. In any case, it shall meet once a year to prepare the information regarding the payment of the Directors, which the Board of Directors has to approve and include in its annual public documentation.

Also, the most important actions of this Committee in 2017 were as follows:

(i) Establishment of the remuneration for the Chief Executive Officer: variable remuneration for 2016, long-term variable remuneration, fixed remuneration for 2017, establishment of individual objectives for 2017.
(ii) Variable remuneration 2016 and 2017 of the Group's Management.
(iii) Long-term variable remuneration of Group management.
(iv) Regulations of the Group's variable remuneration for 2017.
(v) Validation of the variable remunerations for 2016.

(vi) Analysis of the report issued by Mr Miguel Trías Sagnier regarding the evaluation of the Board of Directors in the year 2016 and the proposal of the actions to be taken to improve corporate governance. Recruitment of an external consultor to evaluate the Board and the Board's Committees for the financial year 2017.
(vii) Proposal for the determination of the remuneration of the Board of Directors for the 2018 financial year.
(viii) Report on the Annual Corporate Governance Report and Annual Remuneration Report.
(ix) Reports and proposals on the appointments of directors and positions in the Committees of the Board during 2017.

C.2.2 Fill in the following table with the information relating to the number of female directors sitting on the Board of Directors' committees in the last four years:

	Number of female directors							
	Year 2017		**Year 2016**		**Year 2015**		**Year 2014**	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
AUDIT COMMITTEE	3	60.00%	2	40.00%	1	25.00%	1	25.00%
REMUNERATION AND APPOINTMENTS COMMISSION	3	50.00%	2	28.57%	2	28.57%	1	20.00%

C.2.3 Repealed section.

C.2.4 Repealed section.

C.2.5 Indicate, as appropriate, whether there are any regulations for the Board committees; if so, indicate where they can be consulted and whether any amendments have been made during the year. Also indicate whether any annual report on the activities of each committee has been prepared voluntarily.

Name of committee

AUDIT COMMITTEE

Brief description

The regulation of the Audit Committee is set out in Article 27 of the Board Regulations. They are registered at the Mercantile Registry of Madrid and can be consulted on the Company s website (www.cemolins.es).

The Audit and Compliance Committee prepared an annual activities report which served as the basis for the Board of Director's evaluation of the Committees' performance in 2017.

Name of committee

REMUNERATION AND APPOINTMENTS COMMISSION

Brief description

The regulation of the Remuneration and Appointments Commission is set out in Article 28 of the Board of Directors' Regulations. They are registered at the Mercantile Registry of Madrid and can be consulted on the Company s website (www.cemolins.es).

The Remuneration and Appointments Commission has prepared an annual activities report which served as the basis for the Board of Director's evaluation of the Committees' performance in 2017.

C.2.6 Repealed section.

D ELATED-PARTY AND INTRA-GROUP TRANSACTIONS

D.1 Identify the competent body and explain the procedure for approval of any related-party and intra-group transactions.

Procedure for reporting on the approval of related-party transactions
Pursuant to Article 5 of the Board of Directors' Regulations, the Board in plenary session reserves the approval, subject to a favourable report of the Audit and Compliance Committee, of the transactions the Company or Group companies may perform with directors, under the terms of Articles 229 and 230 of the Spanish Limited Liability Companies Law, or with shareholders, individually or together with others, with a significant ownership interest, including the shareholders represented on the Board of Directors of Cementos Molins, S.A. or other companies that form part of the same group or with persons related to them. The directors involved or who represent or are related to the shareholders involved should abstain from participating in the deliberation regarding and voting on the resolution in question. Only the transactions that simultaneously meet the following three requirements will not require this approval: 1. Transactions performed under contracts containing standard terms and conditions and applied en masse to a large number of customers, 2. and effected at prices or rates established on a general basis by the party acting as the supplier of the good or service in question; 3. whose amount does not exceed 1% of the Company's annual income.

D.2 Give details of transactions that are material with regard to the amount thereof or the matter involved between the Company or Group companies and the significant shareholders of the Company:

D.3 Give details of the transactions that are material with regard to the amount thereof or the matter involved between the Company or Group companies and the directors or executives of the Company:

D.4 Give details of material transactions by the Company with other entities of the same Group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and from the standpoint of their subject-matter or terms and conditions are not part of the company's ordinary business.

In any event, details will be provided on any intra-group transactions performed with entities resident in countries or jurisdictions considered to be tax havens:

D.5 Give details of the amount of the transactions performed with other related parties.

D.6 Give details of the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the company and/or its Group and its directors, executives or significant shareholders.

In relation to conflicts of interest, Article 17.2 of the Board Regulations stipulates that:

Directors shall notify the Board of Directors of any situation that may entail a direct or indirect conflict with the company's interests. In the event of a conflict of interest, the directors concerned shall refrain from participating in the transaction to which the conflict refers. In all cases, such situations shall be disclosed in the annual corporate governance report.

D.7 Is more than one Group company listed in Spain?

Yes ☐ No ☒

Indicate the listed subsidiaries in Spain:

Listed subsidiary company

Indicate if the areas of activity and the business relationship between them and the rest of the group companies, have been appropriately described:

Define the eventual business relationship between the parent company and the listed subsidiary company, and those with the rest of the group

Identify the expected mechanisms to solve the eventual conflicts of interest between the listed subsidiary and the rest of the group. Mechanisms to solve the eventual conflicts of interest:

Mechanisms to solve the eventual conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company's risk management system, including tax risks.

The main business of Cementos Molins Group (hereinafter, "the Group") in Spain is the production, sale and distribution of cement, concrete, aggregate, mortar and cement derivatives and prefabricated concrete, and is significantly affected by the evolution of the construction and public works activity that can influence their results, as well as other factors that affect the normal development of their activities and the achievement of their goals.

The Cementos Molins Group has designed a risk management and control system that enables appropriate risk management. The risk management and control system is applied in the following phases:

• Preparation of the risk inventory: the Internal Audit Department of the Cementos Molins Group, on the basis of knowledge of the Group, oversight activities performed and business objectives established by the Group, prepares an inventory of risks that might arise both at corporate and operational level at each business.

• Identification: General Management, the heads of internal audit and other areas identify in a risk inventory the risks to which the Cementos Molins Group companies are exposed.

• Assessment: once the risks to which the Group companies and the Cementos Molins Group itself are exposed have been identified, they are assessed in order to identify the most significant risks. The risk assessment is determined on the basis of the likelihood of occurrence, the impact and the number of businesses and/or areas in which the risk might arise. When assessing risks, techniques based mainly on knowledge, judgement and experience of the persons involved are used.

• Risk map: after selecting the most significant risks, the Group's risk maps, risk maps at corporate level and operational risk maps for each of the subsidiaries are prepared. These risk maps reflect the importance of each of the risks at the businesses.

• Control: after the risks maps have been prepared and assessed, management of each company, internal audit and functional areas determine the necessary measures and define the necessary controls that mitigate the identified risks. In this stage the Internal Audit Department defines the Audit Plan where the reviews and tasks to be accomplished in order to mitigate the previously identified risks are defined.

• Oversight: the risks maps and the identified control measures are the basis of the annual internal audit plan. The Cementos Molins Group also has investments in Argentina, Uruguay, Bolivia, Mexico, Colombia, Bangladesh, India and Tunisia. This implies the incorporation of different regulatory frameworks, markets and financial environments in the Group's transactions. These circumstances evidence the need to manage risks, and devise mechanisms in order to evaluate, treat and minimise them.

To identify the risks of each country in which the Group operates, the Internal Audit Department prepares, together with the internal audit departments of the various countries, a Risk Map aimed at identifying all the risk components of each of the businesses which, following validation by the relevant local general management departments, is submitted, where applicable, to the local audit committees, and finally to the Audit and Compliance Committee.

The risk management and control system is assessed on a yearly basis and the results are submitted to the Audit and Compliance Committee. If necessary, action plans are defined for those controls presenting issues in terms of effectiveness or design.

Regular audits are also conducted and the main incidents and action plans are submitted to the Audit and Compliance Committee and to the Board of Directors.

Lastly, the various committees and senior management report regularly to the Board of Directors of each company in relation to the main risk factors and the measures adopted for their control and management.

E.2 Identify the Company's bodies in charge of preparing and executing the risk management system.

Name of committee or body: Auditing and Compliance Committee.

The main function of the Audit and Compliance Committee is to support the Board of Directors in relation to its oversight duties through the periodic review of the process of preparing the economic and financial information, its internal controls and the independence of the external auditor.

The organisation has an Internal Audit Department for the supervision of the risk management and internal control systems. This body reports to the Corporate Management.
Name of committee or body: Other Committees
The other committees set up by the Group for the control of specific risks are the Commercial Risks Committees.
The senior management of each of the operations is involved in the management and supervision of the risks specific to both the commercial and industrial operations of each of the businesses.
In addition, the Corporate Finance Department analyses and manages financial risk, foreign currency risk, interest rate risk, risk in relation to industrial assets and risk related to possible environmental impacts. In general this department intervenes directly in relation to the risks of those companies over which the Group holds direct ownership and control, and provides supervision and advisory services in those companies jointly managed with other shareholders.
The Corporate Tax function analyses, oversees, manages and provides advisory services regarding the tax risks affecting the various businesses and their possible equity impact on the Group's financial statements. It intervenes directly in relation to those companies over which the Group holds direct ownership and control, and provides advisory and supervision services in conjunction with the local functions at those companies jointly managed with other shareholders.
It should also be noted that the Group has specific commercial, industrial, internal audit, legal, financial, tax and human resource functions in the business units of each of its foreign operations which, in coordination with the business and its counterparts in the Corporate Managements of the Group, are responsible for compliance with the applicable legislation in each case.

E.3 Give details of the main risks that might affect the achievement of the business objectives.

In general the main risk is the performance of the economies in each of the countries in which the Company operates. The future performance of these companies basically depends on the performance of the construction markets in terms of both building construction and civil engineering work, which are the Company's main sources of business.
The proper operation of the industrial assets and ensuring the supply of the main raw materials are a key business element.
The political and social stability, combined with the regulatory levels of the public authorities, are further key elements that may affect the normal course of the Company's business activities.
The different tax legislations of the countries and any possible changes thereto should also be considered when evaluating the risks faced by the Group.
Lastly, it should be noted that the Group's degree of internationalisation also gives rise to a certain degree of exposure to the evolution of the main macroeconomic variables of each country and, accordingly, the exchange rate, inflation and the interest rate play a fundamental role in terms of the Company's ability to achieve its objectives.

E.4 Identify whether the entity has a risk tolerance level.

The Company does not establish specific risks levels in the day-to-day management of its operations, but manages each risk individually for the purpose of minimising their possible negative impact.

E.5 Give details of any risks that arose during the year.

The markets in Spain are still frail and the difficulties of obtaining a solid recovery in the construction industry continue. Rise of the regulated costs in Tunisia, tariff difficulties in the international commerce and economic and politic turmoil had a negative impact on exports.
Exposure to currency fluctuations in those countries where the Group operates, in particular, the depreciation of the currencies in Argentina and Uruguay and its negative impact on the exchange differences in our consolidated balance sheet.

E.6 Explain the response and monitoring plans for the entity's main risks, including tax risks.

The Group monitors its main risk through the functional departments involved (business and corporate) and the various Committees and Boards set up.
Technical Committee, Management Committee and Board of Directors meetings are held on a monthly basis in each of the businesses.
The corporate technical, management control, financial and legal departments provide daily supervision and hold regular meetings for both the Spanish companies and the foreign investees with their corresponding counterparts.
Meetings to review the business activities and potential incidents or risks are held each week and immediate action is taken.

F SYSTEMS OF INTERNAL CONTROL AND RISK MANAGEMENT IN CONNECTION WITH FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk control and management systems as they affect the entity's internal control over financial reporting (ICFR).

F.1 The entity s control environment

Provide information, indicating salient features, on at least:

F.1.1. Bodies and/or functions responsible for: (i) the existence and maintenance of a suitable, effective ICFR; (ii) its implementation; and (iii) its oversight.

The Board of Directors of Cementos Molins S.A. is responsible (pursuant to Article 5.z of its Regulations) for the implementation and monitoring of a suitable, effective system of internal control over financial reporting that ensures the completeness and reliability of financial information.
The Board of Directors delegates oversight of the design and effectiveness of internal control to the Audit Committee.
Article 27 of the Board Regulations specifies that the duties of the Audit Committee in connection with financial reporting are, inter alia:
- To supervise the process of preparing and submitting the required financial information and submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, reviewing the compliance of regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of accounting criteria.
- To understand the processes used to draft the financial statements and obtain reasonable certainty that the information support systems are reliable.
- Regularly reviewing the internal control and risk management systems so that the main risks are sufficiently identified, managed and notified.
- Reviewing, analysing and commenting on the financial statements and other relevant financial information with senior management, and the internal and external auditors, to confirm that said information is reliable, comprehensible, relevant, and that accounting criteria consistent with the previous year-end closing.

Cementos Molins S.A. has an Internal Audit department, reporting to the Audit Committee, whose remit is to ensure that the systems of internal control and financial reporting function correctly, to assess the effectiveness of ICFR and to report regularly on any weaknesses identified in the course of its work and the time frame set for the proposed adaptation or corrective action.
The Audit Committee members are kept apprised of all regulatory changes that may arise in this connection.
The senior executives of Cementos Molins, S.A. are responsible, under the supervision of the Audit Committee, for designing, implementing and ensuring the functioning of an appropriate internal control system, as specified in Cementos Molins' organisational model for the systems of control over financial reporting.
Thus, the duty of internal control over financial reporting is discharged at the level of the General Corporate Management of Cementos Molins, S.A. and thereafter at the functional divisions (Administration, Finance, Tax Services, Human Resources, Legal Services and Information Systems), which are responsible for designing and implementing the internal control systems for these areas. Similarly, the responsibility for designing and implementing internal control systems for the operational and business areas lies with the General Management Departments of the different companies.
Internal control over financial reporting is centralised at corporate management, which ensures that it is maintained and that all the documentation relating to the procedures and controls in place from time to time is updated and also to notify the Group's various companies and organisational areas of the approval of policies and procedures of internal control over financial reporting.

F.1.2. Indicate the following, if in place, particularly in connection with the process of preparing financial reporting:

• The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring procedures are in place to communicate this structure effectively throughout the entity.

The corporate management officers ensure that tasks and responsibilities are adequately distributed and assigned for the process of preparing financial information, establishing and, where appropriate, proposing to the corporate management officers and corporate human resources management the design and structure required to carry them out.

Corporate human resources management, together with the other functional management divisions, is responsible for disseminating and notifying the organisational structure and any possible changes therein, including those relating to the financial reporting process.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

As proposed by the Auditing and Compliance Commission, the Board of Directors, at its meeting of 27 January 2017, approved the new Ethical Code of Cementos Molins Group, whose contents have been announced and made available to all the employees in the Group and which replaces the previous Code of Conduct approved on 28 February 2012.
An Ethics and Compliance Committee, formed by the Deputy Manager of Corporate Legal Services and the Manager of Internal Audit, ensures compliance therewith. The Audit and Compliance Committee is entrusted with its review and periodic update.
As mentioned in the previous version of the Code of Conduct, section 5.9 of the Ethical Code, “Treatment of information and of knowledge”, contains an express reference to economic transactions, indicating that they must be reflected clearly and precisely in the related records, as well as all the operations performed and expenses incurred. Similarly, it is stated that the economic and financial information will reflect fairly its economic, financial and equity position, in accordance with generally accepted accounting principles and International Financial Reporting Standards.
Also notable in this connection are Cementos Molins' Internal Rules of Conduct regarding the Securities Market, established in a resolution passed by the Board of Directors on 29 July 2004 and the subsequent reviews adopted by resolution of the Board of Directors on 28 February 2012, 28 April 2017 and 29 September 2017.

- Whistle-blowing channel, for reporting any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and irregular activities within the organisation to the Audit Committee, stating, as applicable, whether such reports are confidential.

Since 23 April 2009, the Cementos Molins Group has a reporting channel available for all employees of the Spanish companies in the Group, whereby they can inform Cementos Molins confidentially of any potentially significant irregularities, particularly those of a financial and accounting nature, of internal control over fraud that, to the best of their knowledge and belief, constitute inappropriate conduct or action.
In addition, at its meeting on 23 February 2012 the Audit Committee established new procedure regulations for this type of reporting. Subsequently, as part of the development of the Cementos Molins Group's Crime Prevention Model, a specific protocol developed in 2016 entered into force on 27 February 2017.
On the basis of this protocol, employees can use the potentially significant irregularities communication procedure by sending a letter addressed to the Ethics and Compliance Committee's online mailbox, in person or by telephone, contacting either of the Group's two compliance officers.
When a potentially significant irregularity is reported, once the incident is accepted and the evidence and investigation stage has been conducted, a proposed resolution is submitted to the Audit and Compliance Committee and, simultaneously, the Corporate General Manager, the CEO of Cementos Molins, S.A., the operations general manager, the general manager of the affected company and the secretary of the Audit and Compliance committee will be informed.

- Training and periodic refresher courses for personnel involved in preparing and reviewing financial information or evaluating the system of ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

Human resources management and administration and finance management check that the updating procedures for the accounting and financial tasks are appropriate when this is called for due to legislative and regulatory changes, including changes in the international accounting standards and suitable schemes for updating training that affect the preparation of the Group's financial statements.
The various functional divisions also receive information on a regular basis from external advisers and the Company's external auditors on regulatory changes or interpretations of standards that may affect the preparation of the Group's financial information, for which fluid communication with the latter is established in order to be informed of and to interpret and adapt to such standards. Internal dissemination within the Group to the areas that might be affected is also ensured.

F.2 Assessment of reporting risks

Provide information on, at least:

F.2.1. The main features of the risk identification process, including risks of error or fraud, as regards:

• Whether the process exists and is documented.

The Cementos Molins Group has an Organisational Model of Internal Control over Financial Reporting and an Internal Control Manual aimed at providing reasonable assurance regarding the fulfillment of the following objectives:
- Reliability of financial reporting.
- Compliance with the applicable legislation and standards.
- Risk assessment and control activities.

Based on the foregoing, Cementos Molins has defined the key processes for the preparation of its financial information and has drawn up the related map, containing:
- Purchases and payables.
- Income and receivables.
- Cash and financial items.
- Investments and non-current assets.
- Human resources.
- Inventories.
- Accounting close and consolidation.
- Taxes.
- Information systems.
- Impairment of assets.

All the related processes are formally documented. The documentation generated in connection with these procedures includes detailed descriptions of transactions performed and those relating to the preparation of financial information from commencement until their recognition in the accounting records.

The basic elements for each process are the activities flowcharts, the associated risks in each case and the control activities that mitigate them. The result is a risk and controls matrix for each process that enables the control objectives of Cementos Molins to be complied with in the case of all relevant identified financial information.

• Whether the process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and how frequently.

With a view to defining the sphere of application of ICFR at Group level, the following factors were borne in mind:
- At Spanish investees that are over 50% controlled the procedures of the key processes in place are defined on the basis of quantitative and qualitative materiality, establishing a risk matrix and the controls associated with each process in order to safeguard the reliability of the resulting financial information.
- In the case of the international companies the necessary control mechanisms to enable the consolidation process to ensure in a reasonable manner the reliability of the information and the processes generating it. Thus, the various companies' internal audit departments review the procedures and processes taking into account the risk criteria. The external auditors also identify and inform Cementos Molins of any control weaknesses observed in the course of their work. On the basis of the conclusions drawn, which are reported to the internal audit department of Cementos Molins, the companies improve the procedures in place. Internal Audit reviews these processes in situ in the context of its annual audit and risk map schedule.

On the basis of the foregoing, the risks and processes to be documented that have a potentially material impact on the financial information have been identified and makes sure that, in Cementos Molins' risk identification process, are covered by the following financial reporting objectives:
- Existence and occurrence: transactions, facts and other events reflected in the financial information exist in reality and were recorded in due time.
- Completeness: the information reflects all the transactions, facts and other events in which the entity is the affected party.
- Valuation: transactions, facts and other events are recognised and measured in accordance with the applicable standards.
- Presentation, disclosure and comparability: transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with the applicable standards.
- Rights and obligations: the financial information reflects, at the corresponding date, the rights and obligations through the related assets and liabilities, in accordance with the applicable standards.

The controls associated with the aforementioned processes are reviewed by the internal audit department at least every four years and, on the basis of the conclusions reached, if necessary, the Company updates the existing procedures in conjunction with the corporate management department.

• Whether a specific process is in place to define the scope of consolidation, taking into account, inter alia, the possible existence of complex corporate structures and special purpose entities or vehicles.

The scope of consolidation of Cementos Molins is defined on a monthly basis by the Shared Services Management, based on the information available in its files and in accordance with international accounting standards and is confirmed on a half-yearly basis by the external auditor. Any significant change in the scope of consolidation is notified to the Audit Committee.

• Whether the process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

In identifying risks, those arising from external factors that can or could have a material effect on the business and the Group's financial reporting are also assessed, namely:
- Safeguarding of assets.
- Possibility of fraud.
- Environmental legislation.
- Specific market situations (legal and regulatory changes).
- Estimates, lawsuits and provisions.

• Indicate the entity's governing body that oversees the process.

The Group's system of internal control over financial reporting is overseen by the Audit Committee and the purpose thereof is to ensure the reliability of significant financial information.

F.3 Control activities

Indicating salient features, disclose whether there are at least:

F.3.1. Procedures for reviewing and authorising financial information and the description of ICFR to be disclosed to the securities markets, indicating the corresponding lines of responsibility, as well as documentation describing the flows of activities and controls (including those addressing the risk of fraud) for the various types of transactions that may materially affect the financial statements, including procedures for the accounting close procedure and for the separate review of critical judgements, estimates, evaluations and projections.

The Cementos Molins Group furnishes the securities market with financial information on a quarterly basis. The information is prepared by administrative management reporting to general corporate management.
In the process of preparing the financial information to be published, administrative management carries out certain control activities to check its reliability. Additionally, the Management Control Department, the Shared Services Management and the Internal Audit Department oversee the information prepared.
The CEO and the General Corporate Management analyse the information to be published, provisionally approving it prior to sending it to the Audit and Compliance Committee, which oversees the financial information submitted. Lastly, the Audit Committee informs the Board of Directors of its conclusions on the information submitted, so that once it has been approved by the Board, it may be published in the securities market. For the half-yearly and annual reporting, the Audit Committee and the Board of Directors also have available the information prepared by the Group's external auditors on the results of their work.
In the case of the information included in the Corporate Governance Annual Report, the same procedure as that described in this section is followed prior to its publication in the securities market.

F.3.2. Internal control policies and procedures for IT systems (including access security, control of changes, system operation, continuity and separation of duties) giving support to key company processes involved in the preparation and publication of financial information.

The Management of Organisation and systems of Cementos Molins, S.A., reporting to the General Corporate Management, is responsible for the information and telecommunication systems belonging to Cementos Molins, S.A. and its Spanish subsidiaries, as well as for the supervision of the organisation and the functioning of the information systems of the international investees. Its functions include defining, implementing and monitoring compliance with the security policies and standards, as well as the business continuity plan of the various applications and infrastructure that support it.
The control model addresses all the applications, infrastructure for support and access, communication systems and the physical locations in all cases, placing particular emphasis on processes that are relevant for business continuity on a normal basis, directly or indirectly related to financial information.
The control model defined at Cementos Molins, S.A. comprises the following processes:
• Physical security of the data processing centres.
• Logical security of applications.

• Project management. Implementation, development and evolutive advances.
• Operations management.
• Service provider management.
• Infrastructure and communications.
• Back-up and recovery systems.
• User management.

These processes are supported by a series of documented automatic and manual steps, standards, procedures and security rules, which define, inter alia, the control activities required to address the risks to which the following spheres of information systems management are exposed.

• Information systems environment:
- Organisational charts and descriptions of the duties of the employees involved in the information systems.
- System Map.
- Telecommunications network map.
• Applications change management:
- Management of requests for new developments, improvements and changes.
- Requests registration, analysis and approvals circuit.
- Development and implementation of new systems.
- Bringing into service of such applications, their validation and completion.
- Documentation and training.
• Operations and use of systems:
- Management of operating activities.
- Management of back-up systems.
- Incidents management.
- Contingency and recovery plans.
- Service provider management.
• User training and information.
- User information systems.
- Ongoing training procedures.
• Physical and logical security:
- Management of security activities.
- Physical security of control rooms.
- Logical security of access to systems.
- Security in data transfers in public networks.

In compliance with the legislation in force, Cementos Molins defined the role of Information Security. This role is responsible for protecting the Group's information systems, in order to achieve and maintain the required security standards. In order to ensure that these standards are defined correctly an internal procedure compliant with the legislative requirements is in place that defines the standards and also the security requirements to be implemented.

The control model envisages various reviews that help to keep the security systems updated at acceptable and functional levels for Cementos Molins, S.A.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities to third parties and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Cementos Molins does not outsource to third parties, either fully or partially, any phase of its process of preparing financial statements.

In the event of hiring outside advisers for accounting, legal, tax or employment-related issues, to handle a specific matter, the results thereof are overseen by the persons in charge of each functional area in order to ratify the reasonableness of the conclusions drawn.

F.4 Reporting and communication

Indicating salient features, disclose whether there are at least:

F.4.1. A specific role in charge of defining and maintaining accounting policies (accounting policies area or department) and resolving doubts or disputes over their interpretation, communicating on a regular basis with the team in charge of operations at the organisation. The role is also responsible for updating the accounting policies manual and disseminating it to the Company's operating units.

Corporate administration management is responsible for applying the Group's accounting policies. This management also encompasses the corporate accounting department, whose remit includes:

- Defining and updating the Group's accounting policies.
- Keeping track of international accounting standards and their effects on the Group's financial statements.
- Analysing whether the accounting treatment of the transactions of the consolidated Group and its individual companies is appropriate.

- Informing and addressing any queries on the application of the accounting standards that could be raised at the Group companies or at the request of functional areas.
In cases where the accounting rules are complex and require a more detailed technical analysis for their interpretation, administrative management contacts the Group's external auditors in order to establish a position thereon.

The Group explains its accounting policies and valuation standards in its financial statements, which conform to the International Financial Reporting Standards (IFRS) in its consolidated financial statements and to the General Accounting Plan approved by Royal Decree 1514/2007 in its individual financial statements.

Additionally, the Group has policies to account for certain elements that, due to their amount or recurrence, are important enough to be addressed in detail. This specific policies do not differ from the aforementioned regulatory framework.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the company or Group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Cementos Molins S.A. has implemented a single computer tool to meet the accounting needs of its Spanish companies and a computer tool for the consolidation process. The information of the Spanish companies is uploaded onto the consolidation tool with standardised criteria and formats that comply with the Molins Group's accounting policies. With respect to the Group's international companies, a single applicable reporting model has been established, standardised in compliance with the Group's accounting policies and included in the consolidation tool, once the integrity of the information has been checked using internal controls.
The computer consolidation tool centralises in a single system the separate financial statements of the subsidiaries making up the Group, as well as the consolidated financial statements and the main disclosures required for the preparation of the consolidated financial statements.

F.5 Oversight of system operation

Provide information, indicating salient features, on at least:

F.5.1. ICFR monitoring activities performed by the Audit Committee, including an indication of whether the entity has an internal audit department whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Also describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate the findings. State also whether the company has an action plan specifying corrective measures and whether it has taken stock of the potential impact on its financial information:

The Internal Audit Department notifies the Audit and Compliance Committee of the correct functioning of ICFR and is responsible for reviewing the controls in place in the processes mentioned in point F.2.1 at least every four years, reporting any potential weaknesses identified and the steps to be taken to mitigate them, and for monitoring the implementation of such steps. In 2017, as part of the regular review of ICFR, the key accounting processes were assessed in order to adapt them to the changes in terms of organisation and functions that took place during the financial year.
In verifying the ICFR and in ensuring the quality of financial reporting the Audit Committee focused its activity on overseeing the preparation of the separate and consolidated financial statements, as well as the accompanying information thereto, the consolidation process and the scope of consolidation and all the periodic information (half-yearly and quarterly) that must be reported to the markets. In its work it is supported by the internal audit department and the Company's external auditors, with whom meetings are held periodically.
Action plans envisaging corrective steps are established, in conjunction with internal audit and corporate management, in the event of detecting any weaknesses in the quality of the information or in the internal systems of control over financial reporting.

F.5.2. Indicate whether there is a discussion procedure whereby the financial auditor (pursuant to TAS), the internal audit department and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other reviews they have been engaged to perform to the Senior Executives and to the Company's Audit Committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses identified.

The Internal Audit Department reports at least on a half-yearly basis to the Audit and Compliance Committee on any significant weaknesses in internal control that have been identified during the review of the audits performed and the ICFR reviews.
The external audit has access to the executives and the Audit Committee, assisting to, at least, three Audit Committees per year, with the intention to inform about the conclusions of the financial statements review and the internal control weaknesses detected.

F.6 Other relevant information

Not applicable.

F.7 External auditor's report

Indicate:

F.7.1. Whether the ICFR information reported to the markets has been reviewed by the external auditors. If "yes", the related report should be included in the corresponding report as an Appendix. If "no", give reasons.

The external auditors reviewed Cementos Molins S.A.'s ICFR information that was reported to the markets for 2017. The scope of the auditors' review procedures was set in accordance with the Draft Guidance and specimen auditors' report relating to the information on the system of internal control over the financial information of listed entities dated 15 July 2013. The Draft Guidance includes the aspects included in this connection in CNMV Circular 5/2013, which was modified in CNMV Circular 7/2015, from the 22nd of December, which started applying the 31st of December of 2015.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the Unified Good Governance Code.

If a recommendation is not followed or only partially followed, a detailed explanation of the reasons should be provided in such a way that the shareholders, investors and the market in general have sufficient information to evaluate the Company's performance. Explanations of a general nature are not accepted.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Followed [X] Explain [ ]

2. When a parent and a subsidiary are listed companies, both should provide detailed disclosure on:

   a) The type of activity they engage in and any business dealings between them, as well as those of the listed subsidiary and other Group companies.

   b) The mechanisms in place to resolve possible conflicts of interest.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

3. At the Annual General Meeting, in addition to the communication in writing of the Annual Corporate Governance Report, the Chairman of the Board of Directors should orally inform the shareholders, in sufficient detail, of the most important matters in relation to the Company's corporate governance and, in particular, of:

   a) Changes since the previous Annual General Meeting.

   b) The specific reasons why the Company does not follow certain recommendations of the Corporate Governance Code and the alternative rules applied in this connection, should any exist.

Followed [X] Partially followed [ ] Explain [ ]

4. The Company should define and promote a policy of communication and contact with shareholders, institutional investors and voting advisers that fully complies with regulations against market abuse and treats shareholders in the same position in a similar manner.

   The Company should publish this policy on its website, including information on how it has been implemented, identifying the liaison personnel or staff in charge of implementing it.

Followed [X] Partially followed [ ] Explain [ ]

5. The Board of Directors shall not put forward to the Annual General Meeting a proposal to delegate powers in order to issue shares or convertible securities with disapplication of pre-emption rights for an amount exceeding 20% of share capital upon delegation.

   When the Board of Directors approves any share or convertible security issue with disapplication of pre-emption rights, the Company should immediately publish on its website the reports on such disapplication referred to in corporate legislation.

Followed [X] Partially followed [ ] Explain [ ]

6. The listed companies that prepare the reports indicated below, whether obligatorily or voluntarily, should publish them on their respective websites sufficiently in advance of the Annual General Meeting, whether or not they are required to disseminate them:

   a) Report on auditor independence.

   b) Reports on the functioning of the Audit Committee and the Remuneration and Nomination Committee.

   c) Audit Committee report on related party transactions.

   d) Report on the corporate social responsibility policy.

Followed [X] Partially followed [ ] Explain [ ]

7. The Company shall stream a live broadcast of the Annual General Meetings on its website.

Followed [ ] Explain [X]

With an average attendance of 90.88% of the share capital at the Annual Meetings held over the last five years, the Company considered that the live transmission of this event was not necessary.

However, this measure will be proposed in the near future in order to adjust to the recommendations of the Corporate Governance Code.

8. The Audit Committee should ensure that the Board of Directors seeks to present the financial statements to the Annual General Meeting without limitations or qualifications for any matters in the auditors' report. Should such qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to the shareholders of the related matters and scope limitations or qualifications.

Followed [X] Partially followed [ ] Explain [ ]

9. The Company should have a permanent public record on its website of the requirements and procedures that it will accept in order to evidence the ownership of shares, the right to attend the Annual General Meeting and the execution or delegation of the right to vote.

   Such requirements and procedures shall favour the attendance and the exercise of the rights of the shareholders and should be applied in a non-discriminatory manner.

Followed [X] Partially followed [ ] Explain [ ]

10. When any legitimate shareholder has exercised, prior to the Annual General Meeting, the right to complete the agenda or present new proposals, the Company should:

    a) Immediately make such supplementary points and new resolution proposals public.

    b) Make public the attendance card model or vote delegation/proxy vote form with the modifications necessary so that the new points of the agenda, as well as alternative resolution proposals, can be voted on under the same terms as those proposed by the Board of Directors.

    c) Submit all those points or alternative proposals to vote and apply the same voting rules to them as are applied to the points and proposals prepared by the Board of Directors, including, specifically, the assumptions or deductions on which way to vote.

    d) After the Annual General Meeting, communicate the breakdown of the vote on those supplementary points or alternative proposals.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

11. If the Company plans to pay attendance bonuses to the Annual General Meeting, it should establish beforehand a general policy on such bonuses, and the policy should be stable.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.

    In pursuit of corporate interest, in addition to respect for laws and rules and behaviour based on good faith, ethics and respect for customs and generally accepted good practice, the Company should attempt to reconcile, where applicable, corporate interest with the legitimate interests of its employees, suppliers, customers and those of the other stakeholders that may be affected, as well as with the impact of the Company's activities on the community as a whole and on the environment.

Followed [X] Partially followed [ ] Explain [ ]

13. In the interest of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

Followed [X] Explain [ ]

14. That the Board of Directors should approve a director selection policy that:

a) Is specific and verifiable.

b) Ensures that appointment or reelection proposals are based on a prior analysis of the need of the Board of Directors.

c) Favours diversity of knowledge, experience and gender.

The findings of the preliminary analysis of the needs of the Board of Directors should be included in the Nomination Committee's supporting report, which should be published when the Annual General Meeting is called and to which the ratification, appointment or re-election of each director will be submitted.

The director selection policy should encourage the achievement of the target of at least 30% of the total members of the Board of Directors being female in 2020.

Each year the Nomination Committee will verify compliance with the director selection policy and this will be reported on in the Annual Corporate Governance Report.

Followed [X] Partially followed [ ] Explain [ ]

15. Non-executive, proprietary and independent directors should occupy an ample majority of Board places, while the number of executive directors should be the minimum number required, bearing in mind the complexity of the corporate group and the ownership interests held by the executive directors.

Followed [X] Partially followed [ ] Explain [ ]

16. Among non-executive directors, the relation between proprietary and independent members should match the proportion of the capital represented on the Board by proprietary directors to the remainder of the company's capital.

The proportion of proprietary directors as a percentage of the total non-executive directors should not exceed the proportion of the Company's capital they represent.

a) At large cap companies where few equity stakes attain the legal threshold for significant shareholdings.

b) At companies with multiple shareholders represented on the Board of Directors but not otherwise related.

Followed [X] Explain [ ]

17. The number of independent directors should represent at least one third of all Board members.

However, if the company is not a large cap company or, even if it is but has one shareholder or various shareholders acting collectively controlling more than 30% of the share capital, the number of independent directors should represent at least a third of the total number of directors.

Followed [ ] Explain [X]

Currently, there is no group within the company's shareholder structure other than that which currently holds a large majority with sufficient capability to appoint directors. Therefore, eight of the directors are proprietary directors, one director is an executive director, another director is an external director and the Company has three independent directors, representing 23.08% of the total directors.

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional and personal profile.

b) Other boards to which they belong, whether or not of listed companies, as well as the other paid activities carried out by the directors, regardless of their nature.

c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.

d) Date of their first and subsequent appointments as a company director.

e) Shares in the company, and options on them, held by the directors.

Followed [X] Partially followed [ ] Explain [ ]

19. After verification by the Nomination Committee, the Annual Corporate Governance Report should also disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% of capital and explain any rejection of a formal request for a Board place from shareholders whose ownership interest is equal to or greater than that of others applying successfully for a proprietary directorship.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board, based on a proposal from the Nomination Committee. In particular, just cause shall exist if the director takes on new roles or enters into new obligations that prevents them from dedicating the time necessary for carrying out the duties inherent in that of a director, fails to perform said duties or commits any act that renders them not independent, in accordance with that provided in the applicable legislation.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 16.

Followed [X] Explain [ ]

22. Companies should establish rules obliging directors to inform the Board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

In this connection if a director is sued or tried for any of the offences set out in Article 213 of the Spanish Limited Liability Companies Law, the Board will examine the case forthwith and, in view of the specific circumstances, decide whether or not the director should continue in his position. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

Followed [X] Partially followed [ ] Explain [ ]

23. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he/she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this Recommendation should also apply to the Secretary of the Board, director or otherwise.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

25. The Nomination Committee should ensure that the non-executive directors have enough time available to correctly discharge their functions.

The Board Regulations should establish the maximum number of company directorships the Board members can hold.

Followed [X] Partially followed [ ] Explain [ ]

26. The Board of Directors should meet with the necessary frequency to properly perform its functions (at least eight times a year), in accordance with a calendar and agenda set at the beginning of the year, to which each director may individually propose the addition of other items.

Followed [X] Partially followed [ ] Explain [ ]

27. Directors' absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

Followed [X] Partially followed [ ] Explain [ ]

28. When directors or the Secretary express concerns about any proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minutes.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

29. The Company should establish the appropriate channels in order for the directors to be able to obtain the

advisory services required for the fulfilment of their functions, including, as the circumstances may require, external advisory services charged to the Company.

Followed [X] Partially followed [ ] Explain [ ]

30. The companies should also offer the directors refresher programmes when the circumstances so advise, regardless of the knowledge required of the directors to discharge their functions.

Followed [X] Explain [ ] Not applicable [ ]

31. The agenda of the meetings should clearly indicate the items on which the Board of Directors must adopt a decision or resolution so that the directors can study or find the information required to adopt them in advance.

Exceptionally, in urgent cases when the chairman wishes to submit decisions or resolutions that do not appear in the agenda for approval to the Board of Directors, the prior and express consent of the majority of the directors present shall be required, and this shall be duly recorded in the minutes.

Followed [X] Partially followed [ ] Explain [ ]

32. The directors should be regularly informed of any changes in ownership interests and of the opinion of significant shareholders, investors and rating agencies as regards the Company and its Group.

Followed [X] Partially followed [ ] Explain [ ]

33. In addition to performing his or her functions as stipulated in the law and the bylaws, the chairman, as the person responsible for the proper functioning of the Board of Directors, should prepare and submit to the Board of Directors a programme of dates and business to be transacted; should organise and coordinate regular evaluations of the Board and, as appropriate, the evaluation of the chief executive of the Company; should be responsible for managing the Board and its effective operation; should ensure sufficient time is devoted to discussing strategic matters; and should agree and review the refresher programmes for each director when the circumstances so advise.

Followed [X] Partially followed [ ] Explain [ ]

34. When there is a coordinating counselor, statutes or regulations of the board of directors, in addition to the powers legally entitled, attributed the following: chairing the board in the absence of the president and vice presidents, if any; echoing the concerns of non-executive directors; maintain contacts with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of society; and coordinate the plan of succession of the president.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

35. The Secretary of the Board of Directors should take special care to ensure the Board's actions and decisions take into account the good governance recommendations included in this Good Governance Code that might be applicable to the Company.

Followed [X] Explain [ ]

36. The board of directors in plenary session should evaluate once a year and adopt, if necessary, an action plan to correct the deficiencies identified with respect to:

a) The quality and efficiency of the board of directors.

b) The operation and the composition of its committees.

c) Diversity in the composition and responsibilities of the Board of Directors.

d) The performance of the chairman of the Board of Directors and the chief executive of the Company.

e) The role and contribution of each director, paying special attention to the persons in charge of the various committees of the Board.

The evaluation of the various committees is based on the reports they submit to the Board of Directors, and the evaluation of the Board is based on the report submitted to them by the Nomination Committee.

Every three years, the Board of Directors shall be assisted in the evaluation by an external consultant, the independence of which shall be verified by the Nomination Committee.

The business relationships of the consultant or any company in its group with the Company or any company of its Group must be disclosed in the Annual Corporate Governance Report.

The process and the areas evaluated shall be disclosed in the annual corporate governance report.

Followed [X] Partially followed [ ] Explain [ ]

37. When the company has an Executive or Delegated Committee (Executive Committee), the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Executive Committee.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

38. The Board should be kept fully informed of the business transacted and resolutions adopted by the Executive Committee. To this end, all Board members should receive a copy of the Committee's minutes.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

39. Members of the audit committee, and particularly its chairman, should be appointed taking into account their knowledge and experience in accounting, auditing and risk management, and that most of these members are independent directors.

Followed [X] Partially followed [ ] Explain [ ]

40. Under the supervision of the Audit Committee, there should be a unit responsible for the internal audit function which ensures the systems of internal control and financial reporting function correctly, and which report to the non-executive chairman of the Board or the chairman of the Audit Committee.

Followed [X] Partially followed [ ] Explain [ ]

41. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

42. That in addition to those provided for in the law, they correspond to the audit the following functions:

1. In relation to information systems and internal control:

    a) To supervise the process of preparing the financial information relating to the company, and when applicable, to the group, and its integrity, reviewing the compliance of normative requirements, the proper delimitation of the consolidation perimeter and the correct application of accounting criteria.

    b) To ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; guidance and approve their work plans, ensuring that their activity is mainly focused on relevant risks of the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

    c) Establish and supervise a mechanism allowing employees to report confidentially and, if possible and appropriate, anonymously, any irregularities of potential importance, especially financial and accounting irregularities within the company.

2. In relation to the external auditor:

    a) The Committee should investigate the issues giving rise to the resignation of any external auditors.

    b) Ensure that the remuneration of the external auditor for its work does not compromise its quality or their independence.

    c) Supervise that the company notifies any change of auditors to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditors and the reasons therefor.

    d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session to inform it of the work performed and the changes in the accounting situation and risks of the company.

    e) Ensure the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence.

Followed [X] Partially followed [ ] Explain [ ]

43. The Audit Committee may meet with any Company employee or manager, even ordering their appearance without the presence of any senior manager.

Followed [X] Partially followed [ ] Explain [ ]

44. The Audit Commission should be informed about the structural and corporate modifications that the Company intends to undertake in order to analyse them and make a report prior to the Board of Directors' meeting on the economic conditions and its accounting impact and, especially, if applicable, on the proposed exchange rate.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

45. The control and risk management policy should specify at least:

a) The different types of risks, both financial and non-financial (operational, technological, legal, social, environmental, political, reputational, etc.) faced by the Company, including amongst the financial or economic risks, the contingent liabilities and other risks not included in the Balance Sheet.

b) Setting the company's acceptable risk level.

c) The measures provided to mitigate the impact of the identified risks should these materialise.

d) The internal control and information systems that will be used to control and manage the aforementioned risks, including the contingent liabilities and other risks not included on the Balance Sheet.

Followed [X] Partially followed [ ] Explain [ ]

46. An internal control and management function should exist under the direct supervision of the Audit Committee, or as appropriate, of a specialist committee of the Board of Directors, for the management of risks, performed by a unit or internal department of the Company, which would have the following functions allocated to it:

a) Ensure the correct operation of the risk management and control systems and, in particular, ensure that said systems identify, manage and quantify all significant risks that may affect the company.

b) Actively participate in drafting the risk strategy and in the decisions significant to their management.

c) Ensure that the risk management and control systems adequately mitigate the risks within the framework of the policy established by the Board of Directors.

Followed [X] Partially followed [ ] Explain [ ]

47. The members of the Nomination and Remuneration Committee -or of the Nomination Committee and the Remuneration Committee, if they are separate- should be appointed with regard to their having the knowledge, skills and experience appropriate to the functions they would have to perform, and the majority of the members should be independent directors.

Followed [ ] Partially followed [X] Explain [ ]

Currently, two out of three independent directors are part of the Nomination and Remuneration Committee, representing 33.33 of the total members of this Committee.

48. Companies with a high capitalisation have a nominating committee and a separate remuneration committee.

Followed [ ] Explain [ ] Not applicable [X]

49. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any Board member may suggest directorship candidates to the Nomination Committee for its consideration.

Followed [X] Partially followed [ ] Explain [ ]

50. That the remuneration committee exercises its functions independently and also functions assigned to it by law, we apply the following:

a) Propose to the board of directors the basic conditions of the contracts of senior managers.

b) Check compliance with the remuneration policy set by the company.

c) Review the remuneration policy applied to directors and senior executives on a regular basis, including the remuneration systems with shares and their application, and ensure their individual remuneration is proportionate to what is paid to the other directors and senior executives of the Company.

d) To ensure that potential conflicts of interest does not prejudice the independence of external advice given to the Commission.

e) Verify the information on remuneration of the directors and senior executives contained in the various corporate documents, including the annual report on the remuneration of the directors.

Followed [X] Partially followed [ ] Explain [ ]

51. The Remuneration Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors and senior executives.

Followed [X] Partially followed [ ] Explain [ ]

52. That the composition and operation rules of the supervision and control committees appear in the regulation of the Board of Directors and which are consistent with those applicable to legally binding commitments in agreement to the above recommendations, including:

a) These should be formed exclusively of non-executive directors, with a majority of independent directors.

b) Committees should be chaired by an independent director.

c) The Board of Directors should appoint the members of such Committees having regard to the knowledge, aptitudes and experience of its directors and remit of each Committee and shall discuss their proposals and reports. The Committees should report the business transacted and account for the work performed at the first plenary session of the Board following each Committee meeting.

d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.

e) Meetings should be recorded in minutes and a copy sent to all Board members.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

53. The supervision of fulfilment of the corporate governance rules, the internal codes of conduct and the corporate social responsibility policy should be entrusted to one or shared between several committees of the Board of Directors, which could include the Audit Committee, the Nomination Committee, the Corporate Social Responsibility Committee, if it exists, or a specialist committee the Board of Directors might decide to create through the exercise of its self-governing powers, to which the following minimum functions would be specifically assigned:

a) The supervision of fulfilment of the Company's internal codes of conduct and corporate governance rules.

b) Supervising the communication and shareholder and investor communications strategy, including small and medium shareholders.

c) The regular evaluation of the suitability of the Company's corporate governance system, in order to ensure it fulfils its mission to promote the corporate interest, and takes into account, as applicable, the legitimate interests of the other stakeholders.

d) The review of the Company's corporate responsibility policy to ensure it is centred on value creation.

e) The monitoring of the corporate social responsibility strategy and practices, and the evaluation of their degree of fulfilment.

f) The supervision and evaluation of the processes in relation to the various stakeholders.

g) The evaluation of all the Company's non-financial risks -including operational, technological, legal, corporate, environmental, political and reputational risk.

h) The coordination of the process of reporting non-financial and diversity information in accordance with the applicable legislation and the international standards of reference.

Followed [X] Partially followed [ ] Explain [ ]

54. The corporate social responsibility policy should include the principles or commitments taken on by the company on a voluntary basis in its relationship with the various stakeholders and should identify at least the following:

a) The objectives of the corporate social responsibility policy and the development of support mechanisms.

b) The corporate strategy in relation to sustainability, the environment and social matters.

c) Specific practices in matters related to: shareholders, employees, customers, suppliers, corporate matters, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.

d) The methods or systems for monitoring the results of the application of the specific practices mentioned in the previous letter, the associated risks and the management thereof.

e) The mechanisms for the supervision of non-financial risk, ethics and business conduct.

f) The communication, participation and dialogue channels with stakeholders.

g) Responsible communication practices that prevent the manipulation of information and protect integrity and reputations.

Followed	X	Partially followed	☐	Explain	☐

55. The Company should disclose information on matters related to corporate social responsibility using an internationally accepted methodology in a separate document or in the directors' report.

Followed	X	Partially followed	☐	Explain	☐

56. The remuneration of directors must be the sufficient amount to attract and retain directors with the desired background and to remunerate the dedication, qualification and responsibility demanded by the post; but not as to high to compromise the independence of criteria of non-executive directors.

Followed	X	Explain	☐

57. Variable remuneration relating on Company and individual performance should be limited to executive directors, in addition to remuneration via the delivery of shares, options or rights to shares or other share-based instruments and long-term savings plans such as pension or other social benefit schemes.

The delivery of shares may be considered as remuneration for non-executive directors with the proviso that they are kept until the end of their time holding this position. The foregoing shall not apply to shares the directors need to dispose of, as the case may be, to satisfy the costs of their purchase.

Followed	X	Partially followed	☐	Explain	☐

58. In the case of variable remuneration, the remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, atypical or exceptional transactions or circumstances of this kind.

And, in particular, the variable components of the remuneration:

a) Should be linked to performance criteria that are predetermined and measurable, and these criteria should take into account the risk assumed to achieve a profit.

b) Should promote the sustainability of the Company and include non-financial criteria that are suited to the creation of value in the long term, such as compliance with the internal rules and procedures of the Company and with its risk control and management policies.

c) Be based on a balance between the fulfillment of short-, medium-, and long-term objectives that allow the remuneration for continuous performance during a sufficient period to appreciate their contribution to the creation of sustainable value, so that the measures of said performance are not based solely on specific, occasional or special events.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

59. The payment of a significant part of the variable remuneration components should be postponed for a minimum period that is sufficient to verify that the previously established performance conditions have been met.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

60. Remuneration related to the company's profits should take into account the possible qualifications that appear in the external audit report that may reduce said profits.

Followed [X] Partially followed [ ] Explain [ ] Not applicable [ ]

61. A significant portion of the variable remuneration of the executive directors should be linked to the delivery of shares or financial instruments referenced to their value.

Followed [ ] Partially followed [ ] Explain [X] Not applicable [ ]

The delivery of shares or financial instruments referenced to their value is not envisaged in the remuneration systems for executive directors. In fact, the Company considers that, even not having a remuneration system based on the delivery of shares, the short-, medium- and long-term variable remuneration established for the Chief Executive Officer is linked to predetermined and measurable performance criteria that allow for certain remuneration for a continuous performance over a sufficient period of time in order to reward their contribution to the creation of sustainable value.

62. Once the shares, share options or rights over shares relating to remuneration systems have been allocated, the directors should not be able to transfer the ownership of a number of shares equal to twice their fixed annual remuneration, and neither should they be able to exercise the options or rights until a term of at least three years from allocation has elapsed.

The foregoing shall not apply to shares the directors need to dispose of, as the case may be, to satisfy the costs of their purchase.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

63. The contractual agreements should include a clause that allows the company to reclaim the payment of the variable remuneration components when the payment has not been adjusted to the performance conditions or when it has been paid in accordance with data, the inaccuracy of which is subsequently proven.

Followed [ ] Partially followed [X] Explain [ ] Not applicable [ ]

Although contractual arrangements do not include a specific clause stipulating the ability to claim the refund of variable remuneration based on the achievement of previously established objectives —where remuneration has been paid on the basis of data subsequently shown to be erroneous—, the Variable Remuneration Regulations include a clause according to which, in the very unlikely event of a subsequent amendment to the financial statements resulting in a change of the data used to fix the variable remuneration, the Remuneration and Appointments Commission may propose to the Board of Directors that the sum perceived by each beneficiary be reimbursed and adjusted with the final data established in the financial statements.

64. The payments for termination of the contract should not be above the amount of two years of the total annual salary and should not be paid until the Company has been able to verify that the Director has fulfilled all of the previously established performance criteria.

Followed ☐ Partially followed ☐ Explain ☒ Not applicable ☐

The contract for services between the Company and the Chief Executive Officer establishes that he or she has the right to be paid benefits by the Company in the event of the termination and extinguishment of the contract for services for any of the following reasons:

1.- Unilateral termination by the Chief Executive Officer due to serious breach by the Company of its obligations under the contract for services.

2.- Unjustified, unilateral termination of the Contract for Services by the Company, regardless of whether such termination is accompanied by the resignation or non-renewal of the CEO's position as member of the Company's Board of Directors.

3.- Unilateral termination by the Chief Executive Officer, together with simultaneous resignation from his or her post of director, in the event of a change in the control structure of the Company as provided for in Article 42 of the Spanish Commercial Code by reference to Article 4 of the Securities Market Law, even when it is as a result of a takeover bid for the shares of the Company, or of the assignment or transfer of all or a significant portion of its activities or its assets and liabilities to a third party, or of its inclusion in another business group that acquires control over the Company, which gives rise to the renewal of its governance bodies or a substantial change to its business strategy, in accordance with its business plan in each case.

Except for the circumstances set out in Point 3 above, the Chief Executive Officer shall have be entitled to a compensation equal to: (i) one hundred and fifty (150) per cent of their monetary remuneration, including the variable remuneration component foreseen in section 3.3.1 of the Contract of Services, calculated on the remuneration for the year prior to the one in which the contract termination occurs if this termination in line with section 8.1 above occurs before 30 June 2017; (ii) seventy-five (75) per cent if this termination occurs after 30 June 2017 and before 30 June 2020; (iii) fifty (50) per cent if the Contract of Services terminates after 30 June 2020 and 30 June 2021; (iv) forty-two (42) per cent if the Contract of Services terminates after 30 June 2021 and before 30 June 2022; (v) thirty-four (34) per cent if the Contract of Services terminates after 30 June 2022 and before 30 June 2023; (vi) twenty-six (26) per cent if the Contract of Services terminates after 30 June 2023 and before 30 June 2024; and (vii) eighteen (18) per cent if the Contract of Services terminates after 30 June 2024 and before 30 June 2025. If the termination occurs after 30 June 2025, the Chief Executive Officer shall be entitled to no compensation.

In the event of the termination of the contract for services as a result of the scenario envisaged in Point 3 above, the Chief Executive Officer shall have be entitled to benefits equal to three (3) years' monetary remuneration including the variable remuneration component foreseen in section 3.3.1 of the contract of services, calculated on the remuneration for the year prior to the one in which the contract termination occurs.

In the event that the termination of the Contract of Services occurs due to the voluntary resignation of the Chief Executive Officer for reasons other than those set out in the paragraphs 1, 2 and 3 listed above, the Company will provide them with an additional supplementary benefit equivalent to sixteen and a half (16.5%) per cent of the annual Basic Remuneration perceived by the Chief Executive Officer, calculated for these purposes on the basis of the time between the entry into force of the Contract of Services and the official date of termination of their contractual relationship with the Company.

H OTHER INFORMATION OF INTEREST

1. If there is any salient feature of corporate governance at the entity or the group entities that has not been dealt with in the other sections herein, and which it is necessary to include in order to provide the most complete and reasoned information on corporate governance structure and practices at the entity or its group, provide a brief description.

2. This section can include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

   In particular, indicate whether the company is subject to any legislation other than the Spanish legislation on corporate governance, and if so, include the information that it is required to provide, where such information differs from that required in this report.

3. The Company may also indicate whether it has voluntarily adhered to any other codes of ethical principles or good practice of an international, industry-specific or other nature. If so, state the code in question and the date of adherence thereto.

Section C.1.3 indicates that the external proprietary director Mr Joaquín M Molins López-Rodó was appointed at the proposal of the significant shareholder Otinix S.L., when he was actually jointly proposed for appointment by the significant shareholders Otinix, S.L., Cartera de Inversiones C.M., S.A. and Noumea, S.A. It is also indicated that Otinix S.L., has been appointed at the proposal of the significant shareholder Otinix S.L., when it was actually jointly proposed for appointment by the significant shareholders Otinix S.L., Cartera de Inversiones C.M., S.A. and Noumea S.A.

In addition, it is indicated that the non-executive proprietary directors Francisco Javier Fernández Bescós and Cartera de Inversiones C.M., S.A. were appointed at the proposal of the significant shareholder Cartera de Inversiones C.M., S.A. when they were actually jointly proposed for appointment by a concerted action among the significant shareholders Otinix, S.L., Cartera de Inversiones C.M., S.A. and Noumea, S.A.

Finally, it is stated that the external proprietary directors, Juan Molins Amat and Noumea S.A., were appointed at the proposal of the significant shareholder Noumea S.A., when they were actually jointly proposed for appointment by the significant shareholders Otinix S.L., Cartera de Inversiones C.M., S.A. and Noumea S.A.

This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on 27/02/2018.

Indicate whether any directors voted against or abstained in relation to the approval of this Report.

Yes ☐ No ☒

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

AUDITOR'S REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF CEMENTOS MOLINS FOR 2017

To the Directors of
Cementos Molins, S.A.,

As requested by the Board of Directors of Cementos Molins, S.A. and Subsidiaries ("the Cementos Molins Group") and in accordance with our proposal-letter dated 30 October 2017, we have applied certain procedures to the information relating to the ICFR system included in section F of the accompanying Annual Corporate Governance Report ("ACGR") of the Cementos Molins Group for 2017, which summarises the internal control procedures of the Cementos Molins Group in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system included in section F of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard that, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Cementos Molins Group in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Cementos Molins Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Cementos Molins Group's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Cementos Molins Group's annual financial reporting for 2017 described in the information relating to the ICFR system included in section F of the accompanying ACGR. Therefore, had we applied procedures additional to those described below or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Cementos Molins Group in relation to the ICFR system -disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model ACGR established in CNMV Circular no. 7/2015, of 22 December.

2. Inquiries of personnel responsible for preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process followed in preparing it; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Cementos Molins Group.

3. Review of the explanatory documents supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for preparing the information describing the ICFR system. In this regard, the aforementioned documentation includes reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.

4. Comparison of the information detailed in point 1 above with the knowledge on the Cementos Molins Group's ICFR system obtained through the procedures applied during the financial statement audit work.

5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Control Committee and other committees of the Cementos Molins Group to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.

6. Obtainment of the representation letter concerning the work performed, duly signed by those responsible for preparing the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and of CNMV Circular no. 7/2015 of 22 December for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Albert Riba Barea

27 February 2018