Grupo Empresarial San José, S.A.

Financial Statements for the year ended 31 December 2019 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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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.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Grupo Empresarial San José, S.A.,

Report on the Financial Statements

Opinion

We have audited the financial statements of Grupo Empresarial San José, S.A. (the Company), which comprise the balance sheet as at 31 December 2019, and the income statement, statements of changes in equity, cash flow statement 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 2019, 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.a 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.

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.

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C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Impairment of ownership interests in Group companies and associates	
Description	**Procedures applied in the audit**
The Company has ownership interests in the share capital of Group companies and associates that are not listed on regulated markets. As detailed in Note 4.d, the measurement of these ownership interests requires the use of significant judgements and estimates by Company management, which considers that the best evidence of the recoverable amount of these ownership interests is the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement. As a result of the foregoing, as well as the significance of the investments held, which amounted to EUR 122 million at year-end and for which an accumulated impairment loss of EUR 19 million had been recognised up to 2019, we consider the situation described to be a key matter in our audit.	Our audit procedures consisted of obtaining and analysing the conclusions prepared by Company management in relation to the existence of impairment losses on the aforementioned ownership interests, verifying their clerical accuracy and the adequacy of the valuation method used in relation to the investment held and verifying that it meets the requirements of the applicable regulations. For this purpose, we checked the underlying carrying amount of the investees and the related unrealised gains. Lastly, we evaluated whether the disclosures included in Notes 4.d and 7 to the accompanying financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Other Information: Directors' Report

The other information comprises only the directors' report for 2019, 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 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 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 is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2019 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit 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 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 consolidated financial statements is included in Appendix I to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 27 February 2020.

Engagement Period

The Annual General Meeting held on 27 June 2019 appointed us as auditors for a period of one year from the year ended 31 December 2018.

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 1995, 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

Antonio Sánchez-Covisa Martín-González
Registered in ROAC under no. 21.251

27 February 2020

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 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 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 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.

Grupo Empresarial San José, S.A.

Financial Statements for the year ended 31 December 2019 and Directors' Report

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

Translation into English of financial statements for the year ending 31 December 2019 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

BALANCE SHEET AS DECEMBER 31ST 2019 AND DECEMBER 31ST 2018

(Thousand of Euros)

	Note	31/12/2019	31/12/2018
NON-CURRENT ASSETS:			
Intangible assets	5	**3,662**	**4,267**
Property, plant and equipment	6	**406**	**413**
Investments in associates and joint ventures	7.1	**105,978**	**118,703**
Equity Investments in associates		103,314	102,189
Loans to related companies	14.2	2,664	16,514
Other non-current financial assets		**97**	**111**
Deferred tax assets	12.3	**31,565**	**36,029**
TOTAL NON-CURRENT ASSETS		**141,708**	**159,523**
Trade and other receivables		**21,557**	**8,039**
Realetd companies receivables	14.2	4,944	6,409
Other current assets		55	42
Public admisnitrations	12.1	16,558	1,588
Investments in associates and joint ventures	7.2	**11,686**	**16,469**
Cash and cash equivalents	8	**47**	**558**
TOTAL CURRENT ASSETS		**33,290**	**25,066**
TOTAL ASSETS		**174,998**	**184,589**

	Note	31/12/2019	31/12/2018
EQUITY:			
Share capital		**1,951**	**1,951**
Issurance premium		**155,578**	**155,578**
Reserves		**167,412**	**167,412**
Legal and statutory		263	263
Otras reserves		167,149	167,149
Negative results from previous years		**(364,148)**	**(364,638)**
Profit for the year		**53,444**	**490**
TOTAL EQUITY	9	**14,237**	**(39,207)**
NON-CURRENT LIABILITIES			
Long-term provisions	10.1	**5,091**	**17,972**
Non-current bank borrowings	14.2	**86,761**	**-**
Deferred tax liabilities	12.3	**13,866**	**14,742**
TOTAL NON-CURRENT LIABILITIES		**105,718**	**32,714**
CURRENT LIABILITIES:			
Short-term provisions	10.2	**545**	**545**
Current bank borrowings	11	**87**	**111,473**
Payable to Group and associated companies	14.2	**50,623**	**74,627**
Trade and other payables		**3,788**	**4,437**
Trade payables		393	120
Suppliers Group ans associated companies	14.2	679	965
Staff, remuneration payable		2,103	1,137
Tax Payable	12.1	613	2,215
TOTAL CURRENT LIABILITIES		**55,043**	**191,082**
TOTAL EQUITY AND LIABILITIES		**174,998**	**184,589**

Notes 1 to 16 of the accompanying notes form an integral part of the Balance Sheet at 31 December 2019.

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

INCOME STATEMENTS FOR YEARS 2019 AND 2018

(Thousand of Euros)

	Note	31/12/2019	31/12/2018
CONTINUING OPERATIONS			
Revenue	13.1	**34,406**	**499**
Other operating income	13.1	**19,900**	**21,453**
Staff costs		**(12,837)**	**(7,248)**
Wages and salaries		(11,602)	(6,129)
Social charges	13.2	(1,235)	(1,119)
Other operating expenses		**(6,125)**	**(7,156)**
Outside services	13.4	(6,007)	(7,128)
Tributes		(26)	(28)
Impairment losses and changes in provisions for trade		(84)	-
Other operating expenses		(8)	-
Depreciation and amortisation charge	5 y 6	**(621)**	**(631)**
PROFIT FROM OPERATIONS		**34,723**	**6,917**
Finance income		**28,801**	**102**
In third	13.5	28,801	102
Finance costs		**(6,435)**	**(6,190)**
On debts to Group companies and associates	14.1	(2,613)	(2,656)
On debts to third parties		(3,822)	(3,534)
Impairment and gains or losses on disposal of financial instruments	7.1	**(496)**	**-**
FINANCIAL PROFIT		**21,870**	**(6,088)**
PROFIT (LOSS) BEFORE TAXES		**56,593**	**829**
Income Tax	12.2	(3,149)	(339)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**53,444**	**490**
PROFITS / (LOSSES) OF THE YEAR		**53,444**	**490**

Notes 1 to 16 of the accopanying notes form an integral part of the income statement at 31 December 2019

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

TATEMENTS OF CHANGES IN EQUITY FOR PERIOD ENDED AT DECEMBER 2019 AND 201

A) STATEMENTS OF RECOGNISED INCOMES AND EXPENSES

(Thousand of Euros)

	Note	Year 2019	Year 2018
PROFITS/(LOSSES) OF THE YEAR		**53,444**	**490**
Income and expenses recognised directly in equity			
-For cash flow hedges		-	-
-Tax effect		-	-
Total Income and expenses recognized directly in equity		**-**	**-**
Transfer to income statement			
-For cash flow hedges		-	-
-Tax effect		-	-
Total Trasfers to profits and losses account		**-**	**-**
TOTAL RECOGNISED INCOMES/(EXPENSES)		**53,444**	**490**

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR PERIOD ENDED AT DECEMBER 2019 AND 2018

B) STATEMENTS OF CHANGES IN EQUITY

(Thousand of Euros)

	Note	Share capital	Issurance premium	Legal reserve	Voluntary reserves	Negat. results previous years	Profit of the year	TOTAL
Balance at December 31, 2017		**1,951**	**155,578**	**263**	**167,149**	**(365,039)**	**401**	**(39,697)**
Distribution of profit for year 2017:								
-To negative results from previous years		**-**	**-**	**-**	**-**	401	(401)	**-**
Total recognized income/expenses year 2018		**-**	**-**	**-**	**-**	-	490	**490**
Balance at December 31, 2018		**1,951**	**155,578**	**263**	**167,149**	**(364,638)**	**490**	**(39,207)**
Distribution of profit for year 2018:								
-To negative results from previous years		-	-	-	-	490	(490)	**-**
Total recognized income/expenses year 2019		-	-	-	-	-	53,444	**53,444**
Balance at December 31, 2019		**1,951**	**155,578**	**263**	**167,149**	**(364,148)**	**53,444**	**14,237**

Notes 1 to 16 of the accompanying notes form an integral part of the statement of changes in equity at 31 December 2019.

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

CASH FLOW STATEMENTS FOR YEARS 2019 AND 2018

(Thousands of Euros)

	Note	Year 2019	Year 2018
Cash flows from operating activities:			
(+) Profit (Loss) before tax		56,593	829
(+) Depreciation and amortisation charge		621	631
(+/-) Changes in operating allowances		84	-
(-) Financial income	14.1	(63,207)	(601)
(+) Financial costs		6,435	6,190
(+/-) Other gains or losses	7.1	496	-
Total Cash Flows from operating activities		**1,022**	**7,049**
Other adjustments			
(-) Income tax paid in the year		(11,682)	(218)
(+/-) (Increase) / Decrease in working capital		(2,052)	11,077
(+/-) Other collections / (payments) due to operating activities		-	-
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES		**(12,712)**	**17,908**
Investments:			
(-) Intangible assets	5	(8)	(7)
(+) Property, plant and equipment	6	(1)	(5)
(-) Shares and other financial assets	7.1.	(652)	(15)
Total Investments		**(661)**	**(27)**
Dividends received	13.1	**34,126**	**257**
Disposals:			
(+) Intangible assets		-	-
(+) Property, plant and equipment		-	-
(+) Shares and other financial assets		14	-
Total Disposals		**14**	**-**
		-	
Other collections / (payments) due to financing activities		**5,235**	**(5,210)**
2. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES		**38,714**	**(4,980)**
Increase / (decrease) in borrowings		**(22,692)**	**(14,004)**
Non-current			
a) Long term debt		-	-
b) Long term debt with Group companies	14.2	86,397	-
Current			
a) Short term debt	11.2	(82,587)	(7)
b) Short term debt with Group companies		(26,502)	(13,997)
Net interests:		**(3,821)**	**125**
Received		2	152
Paid		(3,823)	(27)
Other collections / (payments) due to financial activities		**-**	**-**
3. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES		**(26,513)**	**(13,879)**
TOTAL CASH FLOWS FOR THE YEAR		**(511)**	**(951)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**558**	**1,509**
Changes in the year		(511)	(951)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**47**	**558**

Notes 1 to 16 of the accompanying notes form an integral part of the Cash Flow Statement for year 2019.

Grupo Empresarial San José, S.A.
Notes for the year ended 31 December 2019

1. Incorporation, legal framework and business activities

a) Incorporation

Grupo Empresarial San Jose, S.A. (hereinafter "the Company"), formerly Udra S.A., was incorporated on 18 August 1987 for an unlimited period of time by virtue of a public deed executed in Pontevedra in the presence of Pontevedra notary, Mr. Rafael Sanmartin Losada, under number 1539 of his protocol.

At the Ordinary and Extraordinary General Shareholders Meeting of the Company held on 17 June 2008, it was agreed to change the corporate name into that of "Grupo Empresarial San Jose S.A.", which was duly formalised by means of a public deed dated 17 July 2009.

The Parent is registered in the Mercantile Register of Pontevedra on sheet 88 of the Companies book 586, entry no. 1 on page no. 8119. It holds tax identification number A-36.046.993.

Registered office is located in Pontevedra, at calle Rosalia de Castro, 44.

The shares of the Company are listed on the Spanish Stock Exchange since July 2009.

b) Legal framework

The Company is governed by its by-laws, the Commercial Code, the Spanish Companies Law and other legislation applicable to companies of this type.

c) Activities

The Company, Parent of Grupo Empresarial San Jose and Subsidiaries (Grupo SANJOSE), has as main purpose the management and control of business activities developed by companies which is takes part in in a significant and lasting manner.

As of 20 July 2009, "Grupo Empresarial San Jose, S.A." was listed on the Spanish Stock Exchange Market.

The purpose of the Company is also the development of real estate property; construction activity, either personally or for another party, natural or legal people, under management, contract or any other regime, of all type of buildings and works.

Also, the Company may subscribe to, purchase or acquire by any other means shares and/or other equity interests in other public and private limited companies, even if their company object differs from that of Grupo Empresarial San Jose, S.A., and may form new public or private limited companies with other legal entities or individuals, whatever valid purpose or activity the newly formed companies may have.

In view of the business activity carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

The Company's functional currency is the Euro.

2. Basis of presentation of the Financial Statements

a) Legal framework

Financial statements have been prepared by the directors of the Company in compliance with applicable financial regulation set forth on:

i) Code of Mercantile Law and similar.

ii) General Accounting Plan approved by Royal Decree 1514/2007, on 16 November, which was modified in 2016 by Royal Decree 602/2016, on 2 December and its Sector Adaptations.

iii) Compulsory regulations passed by the Audit and accounting Institute regarding the Accounting Standards and similar.

iv) Applicable Spanish regulation on the issue.

b) Fair view

These financial statements were prepared from the accounting records of the Company and are prepared in accordance with the accounting principles and rules in force, so that they show a true and exact image of the equity and financial situation of the company, changes in equity and cash flows occurred within the year. These financial statements, which were prepared by Directors of the company, will be subject to approval at the Shareholders' General Meeting are expected to be approved without any changes. As far as they are concerned, the financial statements for year 2018 were approved by the Ordinary General meeting of Shareholders held on 27 June 2019, and recorded at the Trade Registry of Pontevedra.

c) Critical issues on valuation and estimate of the degree of uncertainty

In the preparation of the accompanying financial statements estimates were occasionally made by Directors of the Company to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of potential impairment losses of certain assets (see Notes 4.c and 4.d).
- The useful life of the intangible assets, materials and goodwill (see Notes 4.a and 4. b).
- The fair value of certain non-listed assets (see Note 4.d).
- The amount of certain provisions (see Note 4.g and 4.h).
- The assessment of credit recovery feasibility (see Notes 4.e and 12.3).
- Management of financial risk (Note 8)

Estimations have based prepared based on the best information available at the end of year 2019. Yet, due to its nature, future events may lead to its subsequent amendment (upwards or downwards) in future years, what would be done prospectively.

d) Non-compulsory accounting principles applied

No non-compulsory accounting principles have been applied. Further, Directors prepare the accompanying financial statements in accordance with all applicable accounting regulations and standards. All mandatory accounting principles have been applied.

e) Associated items

Certain items of the accompanying balance sheet, income statement, changes in equity and changes in cash flow statements are associated in groups in order to help their understanding; in the event of significant information, breakdown of the same has been included within the accompanying notes.

f) Comparative information

Information recorded on the financial statements for year 2018 is provided for comparison purposes only with that provided as of the year ended 31 December 2017

g) Working capital and assets

As shown in the accompanying balance sheet as of 31 December 2019 and 2018, the Company has at said date a negative working capital amounting to EUR 21,753 thousand and EUR 166,016 thousand, respectively, as current assets are less than current liabilities.

The Company records under current liabilities the amount of the debt with Group companies, derived from the existence of current account financing agreements with subsidiaries, as well as the fact that the Company is the parent of a Tax Group, that amounts at 31 December 2019 to EUR 50,623 thousand (see Notes 4. and 14.2). Director of the Company do not expect difficulties to face payments of debts at maturity dates.

At 31 December 2019, the Company records a negative net equity amounting to EUR 14,237 thousand. At 31 December 2018, the Company records a negative net equity amounting to EUR 39,207 thousand. However, the Company was not in a situation of equity imbalance according to articles 327 and 363 of the Capital Companies Law (see Note 9.7), to the extent that the syndicated financial debt referred to the contract “Grupo Empresarial San José , SA ”, for an amount of EUR 111,390 thousand at that date (see Note 11.2), was a participatory loan.

h) Consolidation

The Company is head of the group of dependent companies and associated (see Note 7), which issue separate financial statements. Consolidated financial statements for year 2019 have been prepared by the Directors of the Company, as well as the accompanying statements, in compliance with International Financial Regulations and Standards as adopted by the UE, the EC No 1606/2002 (hereinafter, "NIIF-UE"). Financial statements for year ended 31 December 2018 were approved on at the Annual General Meeting held on 27 June 2019 and registered at the Register of Companies of Pontevedra

The accompanying financial statements do not show changes in value arising from the consolidation of financial statements with associates.

Main items of the consolidated financial statements of the Company are as follows:

	Thousand of Euros
Share capital and issuance rights	157,529
Reserves abd equity attributed to the Parent	(184,356)
Net profit/(loss) for the year attributable to the Parent	162,774
Total assets	1,000,272
Turnover	958,249

i) Changes in the accounting criteria

During year 2019, no significant changes have been applied compared to those applied in year 2018.

j) Correction of errors

Accompanying financial statements do not contain errors leading to restatement of the 2018 financial statements.

3. Distribution of profit/(loss)

Directors of the Company will propose the AGM the distribution of EUR 53,444 thousand profit for year 2019 according to the following breakdown:

	Thousands of euros
Distribution base:	
Current year profit	53,444
Distribution:	
To legal and statutory reserve	127
To offset loss of previous years	53,317

4. Accounting principles and measurement basis

Main accounting principles and measurements used in the preparation of the accompanying financial statements for year 2019 and 2018 pursuant to Spanish National Chart of Accounts are as follows:

a) Intangible assets

Intangible assets are recognised initially at acquisition or production cost. Subsequently they are measured at cost less any accumulated amortisation and any accumulated impairment losses. according to criteria set out by Note 4.c. Amortisation depends on useful life of assets. When the useful life of these assets cannot be qualified in a feasible way, they are amortised in a 10-year term.

Goodwill:

Goodwill is the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities at the date of acquisition. Goodwill is allocated to each cash-generating unit and is not subject to amortisation. Subsequent to the initial recognition, goodwill is assessed at acquisition price less accumulated amortisation, and, if applicable, the accumulated amount of assessment correction for recognised impairment.

Goodwill is amortised during its useful life, in an independent way for each cash-generating unit. The Company amortises goodwill in a ten-year term.

Said cash generating units, on the other hand, are subject to impairment test on an annual basis in order to record the valuation correction.

Valuation write-down due to impairment loss is not derecognised in subsequent years

Computer software:

The Company recognises under this item all costs incurred in the acquisition and development of computer programmes and software, event those regarding web site update and maintenance. Regular maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred. Computer software is amortised on a straight-line basis over 3 years from the entry into service of each application.

b) Property, plant and equipment

Intangible assets are recognised initially at acquisition or production cost. The cost of property, plant and equipment acquired through business combinations is its fair value at the date of acquisition. Subsequently, it is reduced by the corresponding accumulated amortization and the valuation corrections for deterioration, if any, in accordance with the criteria mentioned in Note 4.c.

Regular maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred. On the other hand, replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment.

The depreciation of property, plant and equipment is carried out using the straight-line method, based on the operational conditions of the assets or the acquisition of the asset, based on the estimated useful lives of each element or group of elements, According to the following detail:

Description	Years
Other items of property, plant and equipment	3 - 8

c) Asset impairment

At the end of each year or whenever it is deemed necessary, the Company analyses the value of assets through the so-called "Impairment Test" in order to determine whether there is any indication that these assets have suffered an impairment loss which may have reduced its accounting value.

Recoverable amount is the higher of fair value less costs to sell and value in use.

Recoverable amounts for cash-generating units, and items of property, plant and equipment, are analysed, when possible, on an individual basis.

Projections are prepared by the management of the Company on the basis of past experience and based on the best available estimates, which are consistent with information from abroad.

In the event that an impairment loss is recognized for a cash-generating unit to which all or part of a goodwill has been allotted, the carrying amount of the goodwill corresponding to that unit is reduced first. If the impairment exceeds the amount of this, secondly, in proportion to its value in books, the other assets of the cash-generating unit are reduced, up to the limit of the greater of the following: its fair value less costs of sale, its value in use or zero

When an impairment loss is derecognised in subsequent periods (event not possible for goodwill), the carrying amount of said cash generating units is increased in the same quantity as the estimated realisable value, yet carrying amount may never exceed initial carrying amount. The derecognising of an impairment write-down is recorded as income.

d) Financial Instruments

Financial instruments are initially recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Specifically, debt instruments are recognised from the date on which the legal right to receive or the legal obligation to pay arises.

On the other hand, financial derivatives (financial instruments whose value changes in response to changes in an observable market variable such as an interest rate, exchange rate, the price of a financial instrument or a market index whose initial investment Is very small in relation to other financial instruments with a similar response to changes in market conditions, and is generally settled at a future date), is generally recorded on the date of hiring.

Trade payables, which are not interest bearing, are stated at their face value. Nonetheless, a provision is provided for impairment losses on trade accounts receivable when there is objective evidence that the amounts receivable will be irrecoverable.

The amount of customer advances received prior to the recognition of the sale of the buildings is recognised under "Current Liabilities - Trade and Other Payables" in the consolidated balance sheet.

The Company has applied to financial instruments the following assessment regulations:

<u>Financial Assets</u>

The Group financial assets are classified as:

- <u>Loans and receivables:</u> financial assets originated by the Group in exchange for supplying cash, goods or services directly to a debtor, which are measured at amortised cost.

- <u>Equity instruments issued by Companies of the Company, associated and multi-groups</u>: being classified as companies of the Group those managed and/or controlled directly or their management by the Company itself. In addition to this, multi-group companies include those companies incorporated by means of an agreement and which imply joint management, by the partners.

For the purpose of presentation of the financial statements, it will be assumed that another company belongs to the Group if they constitute a single decision-making unit under the terms laid down in Article 42 of the Code of Commerce.

Initial recognition

Financial assets are, in general terms, measured at fair value plus direct costs incurred.

In the event of investments in the assets of companies of the Group providing control over the subsidiary, fees paid to legal advisors or other professionals with regards to the acquisition of the investment are directly recorded under the income statement.

Subsequent recognition

Loans, receivables and held-to-maturity-investments are recognised in net profit or loss for the year.

Investments in group, associated and multi-group companies are valued at their cost, with any applicable cumulative sum of valuation corrections through impairment deducted. These corrections are calculated as the difference between the book value and the recoverable sum, the latter understood as whichever is the greater of the fair value less the costs of sale and the current value of the future cash flows derived from the investment. In the absence of any better evidence regarding the recoverable sum, consideration is given to the net worth of the company in which the stake is held, corrected in accordance with the tacit surpluses in existence on the date of valuation (including any commercial goodwill).

Financial assets not recognised at fair value are analysed at the end of each reporting period. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference. Impairment is charged to the income statement.

The Company recognises the derecognising of financial assets when they expire or whenever cash flow rights over the financial assets have been transferred together with the inherent risks and profits through sale of assets, factoring credit transfers, sale of assets with put option at fair value or financial assets which the company has not subordinated financial involved nor any collateral or risk.

<u>Financial liabilities and net equity</u>

Financial liabilities and equity instruments are classified in accordance with the content of the contractual arrangements. An "equity instrument" is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Parent are recognised in consolidated equity at the proceeds received, net of direct issue costs.

The main financial liabilities held by the Group are held-to-maturity financial liabilities, which are measured at amortised cost.

Loans and bank loans, which accrue interest, are recorded at the amount received, net of direct issuance costs. Borrowing costs, including premiums payable on settlement or redemption and direct issue costs, are recognised in the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

On a financial liability disposal, the difference between the financial liability book value or the part of the same financial liability disposal less the amount paid, transaction cost included, will be recorded on the current year income statement.

Trade payables, which are not interest bearing, are stated at their face value.

e) Income tax

"Grupo Empresarial San José S.A." and all Spanish subsidiaries which it holds a stake equal to or greater than 75%, are taxed on Corporate Income Tax under the Consolidated Income Statement since 2006.

Corporate income tax expense is calculated on the economic outturn, amendment, as the case may be, for permanent differences arising with respect to taxable income and that do not recur in subsequent periods.

Credits for deductions and bonuses generated are deducted from the individual accrued tax provided that their application is made by the Tax Consolidation Group in the year.

Credits for deductions and bonuses and credits for individual negative tax bases, prior to the incorporation of the company to the Tax Consolidation Group, are recorded whenever their future realisation is reasonably assured.

Differences between the individual taxable income and the pre-tax income for the year, derived from the different temporary imputation criteria used to determine both amounts and which may be reversed in subsequent periods, are recorded as prepaid income tax or deferred income tax, as appropriate.

Differences arising from the application of the Consolidated Taxation Tax Regime, to the extent that they can be reversed in case of modification of the application of said regime, are recorded as prepaid taxes or deferred taxes for consolidation.

At 31 December 2019, the following companies of Grupo SANJOSE filed consolidated tax returns, acting "Grupo Empresarial San Jose, S.A." as the head of the consolidated tax group:

Constructora San José, S.A.

Cartuja Inmobiliaria, S.A.U.

Desarrollos Urbanísticos Udra, S.A.U.

Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.

Tecnocontrol Instalaciones, S.L.U.

Tecnocontrol Sistemas de Seguridad, S.A.U.

Tecnocontrol Servicios, S.A.U.

Basket King, S.A.U.

Arserex, S.A.U.

Comercial Udra, S.A.U.

Udramedios, S.A.U.

Cadena de Tiendas, S.A.U.

Trendy King, S.A.U.

Outdoor King, S.A.U.

Athletic King, S.A.U.

Vision King S.A.U.

Running King, S.A.U.

Enerxías Renovables de Galicia, S.A.

Xornal de Galicia, S.A.U.

San José Concesiones y Servicios, S.A.U.

San José Energía y Medioambiente, S.A.U.

Poligeneració Parc de L´Alba ST-4, S.A.

Xornal Galinet, S.A.U.

GSJ Solutions, S.L.U.

Fotovoltaica el Gallo 10, S.L.

f) Revenue and expenditure

Revenue 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. Said income is valued at the fair value of the consideration received, deducting the discounts, price reductions and other similar items that the Company may grant, as well as, where appropriate, the interest incorporated into the nominal amount of the credits. Indirect taxes that are levied on operations and are passed on to third parties are not part of the income.

1. Revenue 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.

2. The interest received on financial assets is acknowledged in accordance with the effective rate of interest and the dividends, when the shareholder right to receive dividends is declared. In any event, interest and dividends on financial assets accrued subsequent to the time of acquisition are recognised as revenue in the profit and loss account.

3. Dividends received are recognised when the shareholders right to receive them is created. According to Enquiry 2 published in Bulletin 79 of the Institute of Accounting and Audit of Accounts (ICAC), both the dividends received and the financial income accrued for Group companies are recorded under "Net revenue" in the accompanying income statement.

g) Provisions and contingencies

When preparing the financial statements, the Directors of Company made a distinction between:

a) Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing.

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

Financial statements include all the material provisions whose obligation to be settled is considered to be more likely. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed on explanatory notes to the same.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

As of 31 December 2019, the Company has recorded provisions for risks and expenses, which are intended to cover possible contingencies arising from the holding of financial investments (see Note 10.1).

h) Termination benefits

In accordance with current legislation, the Company is obliged to pay compensation to those employees who, under certain circumstances, have their employment contracts terminated. Compensation for redundancy liable to objective quantification is registered as an expense for the financial year in which the decision concerning the redundancy is taken. At 31 December 2019, the company has not recorded any entry for this item.

i) Transactions with associates

The Company undertakes all operations with associated companies at market values. In addition, the prices of transfer are borne appropriately, and the Company Directors do not therefore believe there are any significant risks in this regard of any substantial liabilities arising in the future.

j) Treasury shares

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

The Company's own shares acquired during the year are recorded, directly at the value of the consideration given in exchange, as a lower value of Net Equity. The results of the purchase, sale, issuance or amortisation of equity instruments are recognised directly in equity, without in any case registering any result in the Income Statement.

As 31 December 2019 and 2018, the Company does not hold treasury shares. Likewise, no transactions involving treasury shares were carried out during years 2019 and 2018 (see Note 9.5).

k) Environmental issues

Due to the nature of the activity performed by the Company, the Company does not incur into expenses or have any assets or liabilities of environmental nature.

l). Classification of current assets and liabilities

Current assets are those linked to the normal operating cycle, usually a one year period, also those assets whose maturity, disposal or realisation is expected to occur in the short term from the end of the year, financial assets held for trading, with the exception of financial derivatives whose settlement period is greater than a year, and cash and cash equivalents. Assets not fulfilling these requirements are qualified as non-current.

Likewise, current liabilities are those linked to the normal operating cycle, financial liabilities held for trading, with the exception of financial derivatives whose settlement period is greater than a year, and in general all liabilities whose maturity or extinction will occur in the short term. Otherwise, they qualify as non-current.

m) Cash flow statement

The following terms are used in the consolidated cash flow statement:

Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the Group and other activities than investing or financing.

  Investing activities: the acquisition and disposal 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 of the Group companies that are not operating activities.

5. Intangible assets

Breakdown of this item for years 2019 and 2018 is as follows:

Year 2019:

	Thousand of Euros			
	Balance 31/12/2018	Additions / (Provisions)	Disposals	Balance 31/12/2019
Cost:				
Goodwill	6,095	-	-	6,095
Computer software	142	8	-	150
Total Cost	**6,237**	**8**	**-**	**6,245**
Accumulated amortisation:	-	-	-	-
Goodwill	(1,829)	(610)	-	(2,439)
Computer software	(141)	(3)	-	(144)
Total Accumulated Amortisation	**(1,970)**	**(613)**	**-**	**(2,583)**
Net cost	**4,267**	**(605)**	**-**	**3,662**

Year 2018:

	Thousand of Euros			
	Balance 31/12/2017	Additions / (Provisions)	Disposals	Balance 31/12/2018
Cost:				
Goodwill	6,095	-	-	6,095
Computer software	135	7	-	142
Total Cost	**6,230**	**7**	**-**	**6,237**
Accumulated amortisation:				
Goodwill	(1,220)	(609)	-	(1,829)
Computer software	(133)	(8)	-	(141)
Total Accumulated Amortisation	**(1,353)**	**(617)**	**-**	**(1,970)**
Net cost	**4,877**	**(610)**	**-**	**4,267**

The Company has recorded under its balance sheet a goodwill amounting to EUR 6,095 thousand, associated to the stake in "Constructora San José, SA", which is the main Cash Generating Unit (UGE) of Grupo SANJOSE, of which the Company is Parent Company.

In order to proceed with its amortisation, the Company estimates a 10-year useful life, and a linear recovery according to a prospective approach, as of 1 January 2016. Further, the directors of the Company carry out regular reviews of the recovery of these assets, according to expected flows pursuant to the business plan of the Group. At 31 December 2019, no impairment is recorded under this item.

The cost of the assets fully amortised at 31 December 2019 and 2018 amounts to EUR 136 thousand and EUR 132 thousand, respectively

6. Property, plant and equipment

Breakdown of this item for years 2019 and 2018 is as follows:

Year 2019:

	Thousand of Euros		
	Balance 31-12-2018	**Additions / (Provisions)**	**Balance 31-12-2019**
Cost:			
Other items of property, plant and equipment	1,265	1	1,266
Total Cost	**1,265**	**1**	**1,266**
Accumulated amortisation:			
Other items of property, plant and equipment	(852)	(8)	(860)
Total Accumulated Amortisation	**(852)**	**(8)**	**(860)**
Net property, plant and equipment	**413**	**(7)**	**406**

Year 2018:

	Thousand of Euros		
	Balance 31-12-2017	**Additions / (Provisions)**	**Balance 31-12-2018**
Cost:			
Other items of property, plant and equipment	1,260	5	1,265
Total Cost	**1,260**	**5**	**1,265**
Accumulated amortisation:			
Other items of property, plant and equipment	(838)	(14)	(852)
Total Accumulated Amortisation	**(838)**	**(14)**	**(852)**
Net property, plant and equipment	**422**	**(9)**	**413**

This item includes mainly equipment for the treatment of information.

Carrying net cost at 31 December 2019 and 2018 amounts to EUR 829 thousand and EUR 809 thousand, respectively.

It is the policy of the Company to take out insurance policies in order to cover any such possible risks as may affect tangible fixed asset items. Directors considered current insurance to be enough and sufficient.

7. Group companies and associates

7.1 Long-term investments in Group companies and associates

Breakdown of this item of the accompanying balance sheet at 31 December 2019 and 2018, as well as main movement under said item, is as follows:

Year 2019:

	Thousand of Euros			
	Balance at 31/12/2018	Additions	Transfers	Balance at 31/12/2019
Equity intruments				
Cost	**107,603**	-	14,502	**122,105**
Impairment	**(5,414)**	(496)	(12,881)	**(18,791)**
	102,189	**(496)**	**1,621**	**103,314**
Granted loans and credits	**16,514**	650	(14,500)	**2,664**
Total	**118,703**	**154**	**(12,879)**	**105,978**

Year 2018:

	Thousand of Euros			
	Balance at 31/12/2017	Additions	Transfers	Balance at 31/12/2018
Equity intruments				
Cost	**107,566**	-	**37**	**107,603**
Impairment	**(5,414)**	-	-	**(5,414)**
	102,152	-	**37**	**102,189**
Granted loans and credits	**16,536**	15	**(37)**	**16,514**
Total	**118,688**	**15**	-	**118,703**

During year 2019, the Company proceeded to capitalise the participative loans that it had granted to its investees "Udra Medios, S.A.U" and "San José Energía y Medio Ambiente, S.A.U." for amounts of EUR 14,100 thousand and EUR 400 thousand, respectively. Likewise, the Company has attended the capital increase of its investee company "Udra México, S.A. de C.V.", expanding the cost of its participation by EUR 2 thousand, through the partial capitalisation of the trade receivable that it maintains with said company (see Note 14.2).

Likewise, during year 2019, an amount of EUR 12,881 has been classified as a greater amount of the deterioration of the financial participation in "Udra Medios, SAU", which as of 31 December 2018 was recorded under "Long-term Provisions" (see Note 10.1).

During year 2018, the Company proceeded to capitalise the participative loan that it held with its investee "GSJ Solutions, S.L.U.", for an amount of EUR 37 thousand.

Detail of stakes in Group companies, as well as of credits and loans granted as of 31 December 2019 and 2018 is as follows:

Year 2019:

	Ownership %		Thousand of Euros				
			Net carrying amount of the stake				Long-term loans (*) (See Note 14)
	Direct	Indirect	Cost	Impairment of the year	Accumulated impairment	Net cost	
***Group companies*:**							
Constructora San José, S.A. (a)	99.79%	-	92,510	-	-	92,510	-
San José Concesiones y Servicios, S.A.U. (b)	100.00%	-	2,446	-	-	2,446	-
San José Energía y Medio Ambiente, S.A.U. (b)	100.00%	-	7,964	(291)	(2,925)	5,039	650
Enerxías Renovables de Galicia, S.A (b)	25.00%	75.00%	662	-	(529)	133	-
Cadena de Tiendas, S.A.U. (b)	100.00%	-	60	-	-	60	-
Comercial Udra, S.A.U. (b)	100.00%	-	1,748	-	-	1,748	-
Constructora Udra Limitada (a)	7.00%	69.85%	25	-	-	25	-
SJB Müllroser Baugesellschaft GmbH (b)	100.00%	-	730	-	(730)	-	-
Udra Medios, S.A.U. (b)	100.00%	-	15,600	(205)	(14,586)	1,014	-
Xornal de Galicia. S.A. (b)	-	92.73%	-	-	-	-	2,014
Udra México, S.A. de C.V. (c)	0.09%	99.91%	23	-	(21)	2	-
GSJ Solutions, S.L.U.(a)	100%	-	337	-	-	337	-
TOTAL			**122,105**	**(496)**	**(18,791)**	**103,314**	**2,664**

(a) Companies audited by Deloitte.
(b) Non-audited companies
(c) Companies audited by other auditing company.

Year 2018:

	% de participación		Thousand of Euros				
			Valor en libros de la participación				Long-term loans (*) (See Note 14)
	Direct	Indirect	Cost	Impairment of the year	Accumulated impairment	Net cost	
***Group companies*:**							
Constructora San José, S.A. (a)	99.79%	-	92,510	-	-	92,510	-
San José Concesiones y Servicios, S.A.U. (b)	100.00%	-	2,446	-	-	2,446	-
San José Energía y Medio Ambiente, S.A.U. (b)	100.00%	-	7,564	-	(2,634)	4,930	400
Enerxías Renovables de Galicia, S.A (b)	25.00%	75.00%	662	-	(529)	133	-
Cadena de Tiendas, S.A.U. (b)	100.00%	-	60	-	-	60	-
Comercial Udra, S.A.U. (b)	100.00%	-	1,748	-	-	1,748	-
Constructora Udra Limitada (a)	7.00%	69.85%	25	-	-	25	-
SJB Müllroser Baugesellschaft GmbH (b)	100.00%	-	730	-	(730)	-	-
Udra Medios, S.A.U. (b)	100.00%	-	1,500	-	(1,500)	-	14,100
Xornal de Galicia. S.A. (b)	-	92.73%	-	-	-	-	2,014
Udra México, S.A. de C.V. (c)	0.09%	99.91%	21	-	(21)	-	-
GSJ Solutions, S.L.U.(b)	100%	-	337	-	-	337	-
TOTAL			**107,603**	**-**	**(5,414)**	**102,189**	**16,514**

(a) Companies audited by Deloitte.
(b) Non-audited companies
(c) Companies audited by other auditors

Additionally, at 31 December 2019 and 2018 the Company records a provision for EUR 5,091 thousand under the item "Provisions for risks and expenses" as non-current liabilities within the accompanying balance sheet, devoted to potential contingencies of Group companies (see Note 10.1).

On 31 October 2019, the Group has entered into a sales contract with Merlin Properties Socimi, S.A., with the purpose of transferring shares representing 14.46% of the capital of the company "Distrito Castellana, Norte, S.A.". Grupo SANJOSE, through its investee company "Desarrollos Urbanísticos Udra, S.A.U." in its capacity as a direct owner of the shares, continues to hold shares representing 10% of the capital of this company, and maintains its significant influence on the investee company while maintaining representation in its management body

The consideration established in said transaction consisted of a cash payment of EUR 168,893 thousand and a loan granted by the buyer to the seller, endorsed by the Parent and its investee "Constructora San José, SA", for a total amount of EUR 129,109 thousand, resulting in a profit amounting to EUR 147,783 thousand. This loan is divided into two stretches. (i) Tranche A, for an amount of EUR 86,397 thousand, with a single maturity of 20 years and a fixed annual interest rate of 2%, having provided as guarantee the participation of the current 10% held by the Group in the "District Castellana Norte, SA " and; (ii) Tranche B, for an amount of EUR 42,712 thousand, with the same interest rate as Tranche A and expiring on 2 December 2019, and whose purpose was the constitution of a security deposit in the process of cancellation of working capital financing provided by "Constructora San José, SA" under the syndicated financing contract of December 2014 (see Note 11.2).

The most significant information regarding investees in which the Company takes parts, at 2019 and 2018 year-end is as follows:

Year 2019:

			Thousand of Euros (*)				
			Capital and issuance fee	Profit/(Loss) for the year		Remaining net equity	Total net equity
				from operations	for the Year		
Group companies:							
Constructora San José, S.A.	Construction, purchase and sale of land	Rosalía de Castro, 44 (Pontevedra)	8,076	61,006	38,303	82,316	128,695
GSJ Solutions, S.L.U.	Engineering services	Ronda de Poniente, 11 – Tres Cantos (Madrid)	300	37	27	93	420
San José Concesiones y Servicios, S.A.U.	Provision of healthcare and social services	Rosalía de Castro, 44 (Pontevedra)	2,446	(9)	13	138	2,597
San José Energía y Medio Ambiente, S.A.U.	Contruction, provisions of services and management of energy contracts	Ronda de Poniente, 11 – Tres Cantos (Madrid)	4,039	(259)	(291)	(1,669)	2,079
Cadena de Tiendas, S.A.U.	Storage, destruction and sale of goods	Rosalía de Castro, 44 (Pontevedra)	60	(1)	14	12	86
Comercial Udra, S.A.U.	Storage, distribution and sale of manufactured products	Rosalía de Castro, 44 (Pontevedra)	4,182	(77)	4,049	(1,040)	7,191
Constructora Udra Limitada	Construction, maintenance and repair	C/ 1º de Dezembro, 12-14 - Monçào (Portugal)	350	1,202	1,239	2,973	4,562
SJB Müllroser Baugesellschaft GmbH	Construction	Gewerparkrinh, 1315299 Mullroser. Alemania	625	(10)	(10)	(5,702)	(5,087)
Enerxias Renovables de Galicia, S.A.	Production and trade of electric energy by renewable energy resources	Rosalía de Castro, 44 (Pontevedra)	2,649	(9)	18	(2,102)	565
Udra Medios, S.A.U.	Edition, production, reproduction and release of books, newspapers, magazines and video	Rosalía de Castro, 44 (Pontevedra)	1,500	(13)	(319)	(166)	1,015
Udra México, S.A. de C.V.	Holding company	Miravalle, México	3,427	204	235	(242)	3,420

(*) Data from individual financial statements of each investee.

Year 2018:

			Miles de euros (*)				
			Capital y Prima	Resultado: De explotación	Resultado: Del ejercicio	Resto de Patrimonio Neto	Total Patrimonio Neto
Empresas del Grupo:							
Constructora San José, S.A.	Construction, purchase and sale of land	Rosalía de Castro, 44 (Pontevedra)	8,076	21,235	3,249	109,067	120,392
GSJ Solutions, S.L.U.	Engineering services	Ronda de Poniente, 11 – Tres Cantos (Madrid)	300	(225)	(168)	30	162
San José Concesiones y Servicios, S.A.U.	Provision of healthcare and social services	Rosalía de Castro, 44 (Pontevedra)	2,446	(6)	7	131	2,584
San José Energía y Medio Ambiente, S.A.U.	Contruction, provisions of services and management of energy contracts	Ronda de Poniente, 11 – Tres Cantos	4,039	(358)	(359)	(1,710)	1,970
Cadena de Tiendas, S.A.U.	Storage, destruction and sale of goods	Rosalía de Castro, 44 (Pontevedra)	60	-	9	625	694
Comercial Udra, S.A.U.	Storage, distribution and sale of manufactured products	Rosalía de Castro, 44 (Pontevedra)	4,182	-	430	1,917	6,529
Constructora Udra Limitada	Construction, maintenance and repair	C/ 1º de Dezembro, 12-14 - Monçào (Portugal)	350	254	322	5,150	5,822
SJB Müllroser Baugesellschaft GmbH	Construction	Gewerparkrinh, 1315299	625	(5)	(5)	(5,716)	(5,096)
Enerxias Renovables de Galicia, S.A.	Production and trade of electric energy by renewable energy resources	Rosalía de Castro, 44 (Pontevedra)	2,649	(17)	18	(2,115)	552
Udra Medios, S.A.U.	Edition, production, reproduction and release of books, newspapers, magazines and video	Rosalía de Castro, 44 (Pontevedra)	1,500	11	263	(14,528)	(12,765)
Udra México, S.A. de C.V.	Holding company	Miravalle, México	1,628	99	31	(427)	1,232

(*) Data from individual financial statements of each investee.

None of the associates is listed on the stock exchange market at 31 December 2019 and 2018.

7.2 Long-term investments in Group companies and associates

The balance of "Investments in Group companies and associates in the short term" corresponds mainly to current account financial contracts maintained by the Company with Group companies, which accrue interest at Euribor plus a market spread. Breakdown for associates at 2019 and 2018 year-end is detailed on Note 14.2.

In addition, due to the fact that the Company is the head of the consolidated tax group, this item of the balance sheet includes the debit position vis-à-vis the various companies that make up the tax group, for a total amount of EUR 3,897 thousand and EUR 3,727 thousand at 31 December 2019 and 2018, respectively, corresponding to the amount to be paid as corporate income tax of Group companies that are included in the tax perimeter (see Note 14.2).

8. Cash and cash equivalents

"Cash and Cash Equivalents" includes the company's cash and short-term deposits with an original maturity of three months or less. Net carrying value is similar to fair value, without restriction on their availability.

Information on the nature and level of risk of financial instruments

The management of financial risks of the Company is centralised in the Group's Financial Management, which has established the necessary mechanisms to control the exposure to changes in interest rates and exchange rates, as well as to credit and liquidity risks. Main financial risks which may have a potential impact on the Company as follows:

a) Credit risk

The Company is not exposed to significant credit risk, since its customers and the institutions in which cash placements are made or with which derivatives are arranged are highly solvent entities, in which counterpart risk is not significant.

The company's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is mainly attributable to trade receivables of Group companies. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, estimated by Group management based on past experience and its assessment of the current economic climate. The amount of financial assets recognised in the consolidated financial statements, net of possible impairment losses, represents the Group's maximum exposure to credit risk, excluding guarantees or other credit improvements provided.

The Company does not have a significant concentration of credit risk, being its exposure concentrated in Group companies and associates, and therefore the credit risk associated to the activity of these companies.

The Company monitors credit management and has specific procedures in place in this connection, setting terms and conditions for the acceptance of orders and regularly monitoring orders.

a) Liquidity risk

The Company forms part of the centralised treasury system of Grupo SANJOSE and has available short-term syndicated credit facilities of the Group, being able to obtain liquidity if necessary. The Group's liquidity policy consists of the arrangement of committed credit facilities and current financial assets for sufficient amounts to cater for the projected liquidity needs for a given period based on the situation and prospects of the debt and capital markets.

a) Market risk

- Interest rate risk: Both the treasury and the financial debt of the Company are exposed to interest rate risk, which could have an adverse impact on financial outcome and cash flows. In order to minimise this impact, the Company's policy is to contract derivative financial instruments to hedge interest rates. At 31 December 2019, since most of the funding of the Company is repaid on a fix interest rate (see Note 11.2.b), there are no derivative financial instruments.

- Exchange rate risk: The Company does not bear at 31 December 2019 any positions in other currency than in Euro. Likewise, there are no coverage contracts for exchange rates. Its currency exposure corresponds mainly to its stake in group companies operating in markets with a currency other than the Euro (see Note 7.1). The Group's policy is that funding of these units, if applicable, would be in local currency.

9. Net Equity

9.1 Share Capital

At 31 December 2019 and 2018, share capital of the Parent was represented by 65,026,083 shares of EUR 0.03 par value each.

At 20 July 2009, shares of the Company are admitted to trading on the Continuous Market, with a market value of EUR 12.86 per share. The closing and mean quote for the last quarter of the year has been EUR 6.00 and EUR 6.71 for year 2019 and EUR 4.60 and 4.89 for year 2018, respectively.

At 31 December 2019, the only shareholder with a stake exceeding 10% in the share capital of the Company was Mr. Jacinto Rey González, with a direct and effective participation of 24,952% and 48.292%, respectively.

On 30 December 2014, the Group has entered into with a majority of the creditor banking entities a novation agreement of its syndicated credit loan in Spain, pursuant to which it commits to issue Warrants for 35% of its social capital, whose execution shall depend on the level of performance of the Group of the amortisation of the participating loan granted as on said date, for a total amount of EUR 100 million (see Note 16.3). Said issuance of *warrants* was agreed by the AGM as its meeting held on 24 June 2015.

On 31 October 2019, the Company has proceeded to fully amortise the syndicated financial debt held up to that time, being the warrants cancelled (see Note 11.2).

9.2 Issuance rights

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

9.3 Legal reserve

Under the Consolidated Spanish Companies Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. At year-end 2019 the legal reserve has not been fully provided.

9.4 Restrictions on the distribution of dividends

At 31 December 2019 there are no restrictions on the distribution of dividends.

9.5 Treasury shares

At 31 December 2019 and 2018 the Company did not hold any treasury shares neither had executed transactions with treasury shares during 2019 and 2018.

9.6 Goodwill reserves

In accordance with the provisions of art.273 of the Capital Companies Act, up to year 2015, in the application of the result of each year, an unavailable reserve equivalent to at least 5% of the amount recorded should be provided as goodwill in the asset balance sheet.

At 31 December 2019 and 2018, said reserve amounted to EUR 762 thousand and was recorded under "Voluntary Reserves" under net equity. Since the net book value of goodwill recorded at 31 December 2019 is greater, the goodwill reserve is qualified as a restricted reserve at said date.

9.7 Equity

At 31 December 2019, the Company records a negative net equity amounting to EUR 14,237 thousand.

At 31 December 2018, the Company records a negative net equity amounting to EUR 39,207 thousand. However, it is not in the situation of asset imbalance pursuant to art. 363 of the Companies Act to the extent that it records an equity loan amounting to EUR 111,390 thousand (see Note 11.2 and 9.1), received from creditor financial institutions in order to strengthen its financial position, according to the provisions under article 20 of Royal Decree -Law 7/1996, of 7 June.

10. Provisions and contingencies

10.1 Long-term provisions

The detail of long-term provisions under the balance sheet at 2019 y 2018 year-end, as well as main movements during years 2019 and 2018, are as follows:

Year 2019:

	Thousand of Euros			
	Balance at 31-12-2018	Additions	Tranfers	Balance at 31-12-2019
Provision for risks and expenses	17,972	-	(12,881)	5,091
Total	**17,972**	**-**	**(12,881)**	**5,091**

Year 2018:

	Thousand of Euros		
	Balance at 31-12-2017	Additions	Balance at 31-12-2018
Provision for risks and expenses	17,972	-	17,972
Total	**17,972**	**-**	**17,972**

This item mainly includes provisions provided by the Company in order to cover possible contingencies arising from the holding of financial investments with negative equity, in addition to the impairment of own shares that may be recorded to date (see Note 7.1).

Breakdown, by associate, is as follows:

	Thousand of Euros			
	Balance at 31/12/2018	Additions	Tranfers	Balance at 31/12/2019
SJB Müllroser Baugesellschaft mbH	5,110	-	(19)	5,091
Udra Medios, S.A.U.	12,862	-	(12,862)	-
Total	**17,972**	-	(12,881)	**5,091**

10.2 Short-term provisions

At 31 December 2019 and 2018, the Company has short-term provisions amounting to EUR 545 thousand in order to meet contingencies arising from its activity.

10.3 Contingencies

Directors of the Company do not consider any liability arising in connection to the committed guarantees, in addition to those recorded in the accompanying financial statements at 31 December 2019.

11. Financial debt

Breakdown of this item in the accompanying balance sheet is as follows:

Year 2019:

	Thousand of Euros		
	Other financial liabilities with changes in income statement	Debts and accounts payable	Total
Syndicated loan (Note 11.2)	-	-	-
Other financial liabilities (Note 11.1)	-	87	**87**
Total current financial liabilities	**-**	**87**	**87**

Year 2018:

	Thousand of Euros		
	Other financial liabilities with changes in income statement	Debts and accounts payable	Total
Syndicated loan (Note 11.2)	-	111,390	**111,390**
Other financial liabilities (Note 11.1)	-	83	**83**
Total current financial liabilities	**-**	**111,473**	**111,473**

11.1. Other current liabilities

"Other financial liabilities" corresponds mainly to financial current accounts with Shareholders, Senior Management and other employees of the Group, which bear a market interest rate referenced to Euribor, and whose maturity is renewed annually tacitly (see Note 14.2).

11.2. Syndicated credit facilities

The SANJOSE Group concluded in year 2009 the renegotiation of the bank borrowings for a total amount of EUR 2,210 million in order to adapt the related obligations to the new business plan based on the global economic situation and taking into consideration cash requirements set out on Business Plan for 2009-2013, under a framework of stability

On 30 December 2014, Group SANJOSE and its main subsidiaries have entered into a modifying novation agreement for its financial debt with a large majority of its creditor banks, which represent a percentage greater than 75% of the financial liabilities and 80% of collaterals affected by such agreements.

Said agreements have involved the novation of the syndicated credit agreement signed in April 2009, as well as a series of bilateral funding agreements. The terms and conditions of the new financing are detailed pursuant to the following three separate financing agreements:

a) Contract "Constructora San José, S.A."

Syndicated financing contract assumed by "Constructora San José, S.A." and divided into several tranches: i) Tranche A: loans amounting to EUR 250 million , and with a five-year maturity that can be extended for one more year, with a progressive repayment schedule, as well as multi-group working capital lines (discount, confirming and guarantees) for a total amount of EUR 417.2 million , and; ii) Tranche B: additional financing line in the case of execution of guarantees amounting to EUR 10 million.

b) Contract "Grupo Empresarial San José, S.A.":

Pursuant to the modifying novation agreement of the debt of Grupo SANJOSE, the Company assumed a EUR 100 million participating loan on a fixed increasing interest rate, including a variable rate according to the outcome of the Group, with a 5-year bullet maturity.

The part of this contract not attended at maturity shall be converted into shares of Grupo San José with a limit of 35% of total social capital of the company. This transaction has been materialised through the emissions of warrants approved at the Shareholders' Meeting of "Grupo Empresarial San José, S.A" held on 24 June 2015. Said warrants entitle holders the right to subscribe newly issued shares of Grupo San José by offsetting credit claims which were pending repayment at maturity date (including capitalised interest).

At 31 December 2018, the Group has real estate assets amounting to EUR 18,260 thousand, which guarantee the syndicated credit for EUR 34,176 thousand. In addition, it has pledged credit rights that may derive from certain real estate assets, whose net book value is EUR 13,169 thousand at said date.

On 31 October 2019, the Group has fully amortised the syndicated financial debt that was granted, and warrants issued are cancelled.

As of 31 October 2019, the total amount of the loan provision of "Grupo Empresarial San José, S.A." amounted to EUR 115,196 thousand, having agreed with the creditor financial institutions the full repayment of the loan through the payment of EUR 86,397 thousand, showing a positive result amounting to EUR 28,799 thousand, recorded under "Other financial income "in the accompanying profit and loss account for year 2019 (see Note 13.5).

Likewise, on 31 October 2019, with the total repayment of the debt, the guarantees were released. As of the current date, the Group is formalising the registration cancellation of said guarantees.

12. Taxation

The Company is subject to the Tax Consolidation Regime under reference number 002/06, being the Parent of the tax group.

12.1. Tax receivables and payables

Breakdown of tax receivables at 31 December 2019 and 2018 is as follows:

	Thousand of Euros	
	31/12/2019	**31/12/2018**
Current assets:		
Personal income tax receivable	-	534
VAT receivables	3,215	-
Income tax receivables	13,343	1,054
Total	**16,558**	**1,588**

Breakdown of tax payables at 31 December 2019 and 2018 is as follows:

	Thousand of Euros	
	31/12/2019	**31/12/2018**
Current liabilities:		
VAT payables	-	1,865
Personal income payable and other	525	255
Social Security payables	88	95
Total	**613**	**2,215**

On 1 January 2012, the Company together with most of its subsidiaries, representing 50%, and several JVs agreed on submitting joint VAT declaration as a Group under the general regime, under reference number 111/12.

12.2. Reconciliation of the accounting profit/(loss) and taxable base

The reconciliation of the accounting profit/(loss) and the taxable base for income tax purposes for year 2019 and 2018 is as follows:

	Thousand of Euros	
	2019	**2018**
Profit/(Loss) before tax	**56,593**	**829**
Permanent differences		
Increase	2,098	853
Decrease	(34,126)	(257)
Offset of prior years' tax losses	(11,600)	-
Prior taxable profit	**12,965**	**1,425**
Prior setting 25%	**3,241**	**356**
Deductions	(169)	(89)
Regularisation	77	-
Income tax expense	**3,149**	**267**
Temporary differences		
Increase prepaid tax	-	-
Decrease prepaid tax	(1)	(25)
Increase deferred tax	-	-
To offset tax credit	(3,884)	(87)
Deductions	-	-
Current year deduction increases	169	89
To offset outstanding deductions	(6)	-
Principal transactions	(14,991)	(1,223)
Amount (payable) / receivable	**(15,564)**	**(979)**
-Offset against tax group	(2,983)	(744)
-Tax credit	(12,581)	(235)

Royal Decree Law 3/2016 on 2 December 2016, approving tax measures, introduces significant limitations in fiscal legislation regarding the ability of large companies to offset the negative tax bases that could have been generated in previous years, as well as the application of deductions. Likewise, a tax reversal is required on the impairment of financial holdings, which were tax deductible in tax base prior to 1 January 2013.

On 31 October 2019, the Company has repaid the syndicated financial debt resulting from the financial novation agreement entered into in December 2014 (see Note 11.2). Within the framework of this operation, the financial entities have partially forgiven the debt, deriving a financial income amounting to EUR 28,799 thousand (see Note 13.5), contemplated as computable income in the tax base of year 2019. In accordance with the provisions of the aforementioned Royal Decree Law 3/2016, of 2 December 2016, the Company has fully reduced said result from the taxable base of the year with negative taxable bases of previous years: for an amount of EUR 11,600 thousand, with negative tax bases that had not been previously activated as a tax credit, and in the amount of EUR 17,199 thousand, with negative tax bases that were recorded as tax credit in the balance sheet of the Company (amounting to EUR 3,884 thousand, in the balance sheet of the Company, and amounting to EUR 416 thousand, activated due to companies of the tax group the company is parent of) (see Note 2.e.)

12.3. Deferred tax assets and liabilities

The detail of deferred tax assets under the balance sheet at 31 December 2019 y 2018, as well as main movements, are as follows:

Year 2019:

	Thousand of Euros			
	31.12.2018	Tax for the year	Regularisation and other	31.12.2019
Temporary differences on other items	2,368	(1)	-	2,367
Tax credit carry forwards	185	163	1	349
Tax losses carry forwards prior to the Group	1,748	(1,748)	-	-
Offset of tax loss carry forwards (Note 14.2)	31,728	(2,136)	(743)	28,849
Total	**36,029**	**(3,722)**	**(742)**	**31,565**

Year 2018:

	Thousand of Euros			
	31.12.2017	Tax for the year	Regularisation and other	31.12.2018
Temporary differences on other items	2,295	259	(1)	2,368
Tax credit carry forwards	-	89	96	185
Tax losses carry forwards orior to the Group	2,429	(681)	-	1,748
Offset of tax loss carry forwards (Note 14.2)	31,807	(87)	8	31,728
Total	**36,531**	**(420)**	**103**	**36,029**

The detail of deferred tax assets under the balance sheet at 31 December 2019 y 2018, as well as main movements during years 2017 and 2016, are as follows:

Year 2019:

	Thousand of Euros			
	31.12.2018	Tax for the year	Regularisation and other	31.12.2019
Translation differences for investment portfolio	91	(91)	-	-
Temporary differences in margins for group transactions	13,447	-	(1)	13,446
Payable to group companies for income tax (Note 14.2)	1,204	-	(784)	420
Total	**14,742**	**(91)**	**(785)**	**13,866**

Year 2018:

	Thousand of Euros			
	31.12.2017	Tax for the year	Regularisation and other	31.12.2018
Translation differences for investment portfolio	137	-	(46)	91
Temporary differences in margins for group transactions	13,447	(46)	46	13,447
Payable to group companies for income tax (Note 14.2)	995	209	-	1,204
Total	**14,579**	**163**	**-**	**14,742**

Loss carry forwards

Further, the Company has the following tax loss outstanding offset generated within the tax group which it belongs to:

Year of inclusion	Thousand of Euros
2008	13,412
2009	40,177
2010	0.05
2011	0.3
2012	751
2013	10
2015	402,084
	456,434.35

The Company keeps partially activated the negative tax bases generating a tax credit. At 31 December 2019 and 2018, the amount of the tax credit registered by the Company amounts to EUR 28,849 thousand and EUR 33,476 thousand, respectively.

The Directors of the Group have assessed the recovery of assets for deferred taxes based on the activities developed by the Group for the term 2020-2029, including variable arising from the applicable regulation in force (Tax Plan).

Projections used are in line with the Strategic Plan of Group SANJOSE, appropriately reviewed and updated by the directors of the Group according to the most recent trade projections, which take into account the historical evolution in recent years, and the financial stability achieved, specially that reached in year 2019 due to the total repayment of the syndicated bank debt (see Note 11). Likewise, revenue and margin projections have been draft using external resources from recognised international prestige, such as the International Monetary Fund, and information regarding plans for public investment in infrastructure in the coming years of the main countries where the Group operates.

Forecasts of the Group are based on profits, which have, in fact, already been obtained in the last years. The most significant assumptions used to affect such Tax Plan at 31 December 2019, regarding construction activity, are as follows:

- Regarding construction activity:

- Sales: total construction revenue is distributed among countries where the Group operates, based on the current activity and contracted portfolio (short and medium term) and the guidelines established in the business plan Group (medium and long term), assuming approximately a 5-10% annual growth of total construction activity for the period 2020-2029.
- A relatively margin EBITDA standing at 6.0%.
- Potential capital gains from the sale of real estate assets or income and benefits of urban development activity have not been considered in this cash generating unit.

- Regarding the other activities: energy, commercial, services and maintenance. They are secondary with regards to the main construction business,

- Sales: overall growth in line with inflation rate for the period (1.6%).
- EBITDA margin: it keeps in line with the average margins of the last years.

As a result of the Tax Plan made, it is concluded that the Group generates sufficient taxable income to offset the amount of deferred tax assets recorded at 31 December 2019, in a given period of 8 years.

Tax credits

Applicable regulations in force with regards to income tax includes sundry tax incentives. Tax credits generated within in a year, in excess of the applicable legal limits may be deducted from the income tax payable in the coming years, subject to the limits and deadlines established in this connection by the related tax legislation

The Company has the following tax credits outstanding application, arising from both the activities performed and the deductions from absorbed companies:

Deductions	Year	Thousand of Euros
Tax credits for donations	2015	0.50
Deduction for amortisation	2015	0.08
Tax credits for donations	2016	0.60
Deduction for amortisation	2016	0.08
Tax credits for donations	2017	0.60
Deduction for amortisation	2017	0.08
Tax credits for donations	2018	0.60
Deduction for amortisation	2018	0.08
Double taxation tax credit	2018	88.40
Tax credits for donations	2019	1.00
Deduction for amortisation	2019	0.08
Double taxation tax credit	2019	168.30
		260.40

At 31 December 2019 and 2018, the Company has recorded tax loss due to tax credit amounting to EUR 349 thousand and EUR 185 thousand, respectively.

12.4. Years open for review

Years open for review are as follows:

Tax	Years
VAT	2016-2019
Personal income tax	2016-2019
Income tax	2015-2018

With regard to corporation tax, according to the new regulations the right of the Spanish administration to initiate the verification procedure of the paid, offset or outstanding quotas or any deductions applied or to be applied in future is extended to ten years as from the day following that on which the statutory deadline for filing them or for the year or taxable period in which the right was generated to offset such quotas or apply such deductions, being therefore only subject to review deductions and tax losses generated since 2009.

These tax returns, and the tax returns for the other taxes to which the Company and its subsidiaries are subject cannot be deemed to be definitive until the statute of limitations period of four years has expired or until they have been reviewed and approved by the tax authorities.

On 16 May 2018, a review by the Tax Agency for VAT and withholdings for the periods between April 2014 and December 2017 of the companies of “Grupo Empresarial San José, SA" and "Constructora San José, SA" and on Income Tax on Companies of Tax Consolidation Group for years 2013 to 2017, both inclusive, was started. Directors do not consider there will be any significant contingencies other than those duly recorded in these Financial Statements.

12.5. Transactions under the special tax neutrality regime

In 1 July 1994 “Grupo Empresarial San José, S.A.” increased its social capital by the non-monetary provision of shares of the company “Constructora San Jose S.A.”, transaction subject to the special tax neutrality regime pursuant to terms and provisions of Act 29/1991. The transaction is described in the notes to said financial statements.

On 22 October 1999, the Company subscribed shares of “Inmobiliaria Udra S.A.” (currently “San Jose Desarrollos Inmobiliarios, S.A.”) by means of the non-monetary provision of shares of “Pontegran S.L.”, transaction subject to the special tax neutrality regime pursuant to terms and provisions of Act 43/1995. The transaction is described in the notes to said financial statements.

On 27 June 2005, the Company subscribed shares of “Constructora San José S.A.” by the non-monetary provision of shares of “Inmobiliaria Udra S.A.”. This transaction qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004, on 5 March on Income Tax. The transaction is described in the notes to said financial statements.

On 2 June 2006, The Company subscribed shares of “Comercial Udra S.A.” by means of the non-monetary provision of shares of “Arserex S.A.U.” and “Basket King S.A.”. This transaction qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004, on 5 March on Income Tax. The transaction is described in the notes to said financial statements.

On 19 June 2006, the Company subscribed shares of “Grupo Empresarial San José, S.A.” (company its was merged to in year 2008 –see Note 1-, adopting its company name) by means of the non-monetary provision of shares of “Constructora San José, S.A.”. This transaction qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004, on 5 March on Income Tax. The transaction is described in the notes to said financial statements.

12.6 Subrogation of the Company of tax liabilities of absorbed companies

Merger by absorption of "Parquesol Inmobiliaria y Proyectos, S.A." with "Miralepa Cartera, S.L." and "Parquesol inmobiliaria y Proyectos, S.L.".

In 2006, the company "Parquesol Inmobiliaria y Proyectos SA" absorbed "Miralepa Cartera, SL" and "Parquesol Inmobiliaria y Proyectos, SL", a company that in year 2000 had already absorbed certain companies. Article 90 of the Consolidated Text of the Companies Tax Law (Royal Legislative Decree 4/2004, on 5 March) establishes that when a restructuring operation is carried out determining a universal succession, as in the case of the above-mentioned takeovers, all rights and tax obligations of the absorbed entities are transferred to the acquiring entity. Thus, the Company acquired, among other, the tax obligations of the absorbed companies. However, the directors of the Company do not expect any significant liabilities arising as a consequence of said transaction.

Likewise, merger agreements of the Company with "Parquesol Inmobiliaria y Proyectos, S.L." and "Miralepa Cartera, S.L." specified that said transactions would qualify for taxation under the special tax regime provided for in Chapter VIII of Title VII of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law, of which the tax authorities will be formally notified

Segregation of the branch of activity of the company Grupo Empresarial San José, S.A. and consequent capital increase of the beneficiary company San José Desarrollos Inmobiliarios, S.A.

As of 30 June 2010, spin-off of the real estate branch of activity of Grupo Empresarial San Jose, S.A. and its transfer en bloc and universal succession to San Jose Desarrollos Inmobiliarios, S.A., who increases its share capital, was granted though public deed. After said transaction, the Company continues with the same material and human resources for the development of its other activities.

The contribution of this branch of activity has accounting retroactive effect as from 1 January 2010. The aforementioned spin-off took place pursuant to provisions under the Structural Amendment Act of Companies, number 3/2009 and Chapter VIII of Title VII on the Special regime of mergers, spin-off and exchange of shares established by the Legislative Royal Decree 4/2004 on 5 March approving the Consolidated Spanish Corporation Tax Law, having been notified to the Large Taxpayers Central Office of the Department of the Treasury on 2 November 2010.

13. Revenue and expenditure

13.1 Net Revenue and other operating income

Net revenue by activity for years 2019 and 2018 is as follows:

	Thousand of Euros	
	2019	**2018**
Dividends received	34,126	257
Financial incomes from Group companies	280	242
Total	**34,406**	**499**

"Revenue from holding activity" includes mainly financial income from the financing granted to the investees, as well as the dividends received from them (see Note 14.1).

"Other operating income" in the accompanying income statement for years 2019 and 2018 amounts to EUR 19,900 thousand and EUR 21,453 thousand, respectively, and corresponds mainly to income from the provisions of management services by the Company to its investees (see Note 14.1).

13.2 Social security costs

Breakdown for years 2019 and 2018 is as follows:

	Thousand of Euros	
	2019	2018
Social security	902	782
Other social costs	333	337
Total	**1,235**	**1,119**

13.3 Staff costs

The average number of employees during years 2019 and 2018 is as follows:

	2019		2018	
Category	**Men**	**Female**	**Men**	**Female**
Executives	19	11	26	14
Managers	13	7	9	10
Clerical staff	8	24	2	12
Technicians	2	-	2	-
Total	**42**	**42**	**39**	**36**

The number of employees at 31 December 2019 was 82, of which 42 were men and 42 women, being the distribution by type similar to that of the year.

The average number of people employed in the course of the year with a disability greater than or equal to 33% is 1 worker, who is herself a university graduate. The Company, taking into account the specific risk involved in its activity, has recognised the exception of hiring disabled workers, fulfilling it by contracting services with different special employment centres. These contracts are on an annual basis, incurring into an average expense higher than the minimum required by law.

13.4 External services

Breakdown for years 2019 and 2018 is as follows:

	Thousand of Euros	
	2019	2018
Rents and royalties	393	391
Repair and maintenance services	1	-
Independent professional services	982	692
Insurrance premiums	288	467
Banking services and similar	1	1
Advertising, publicity and public relations	37	19
Utilities	5	4
Other Services	4,300	5,554
Total	**6,007**	**7,128**

"Other services" includes mainly services provided by companies of the Group amounting to EUR 3,480 thousand and EUR 5,007 thousand in years 2019 and 2018, respectively (see Note 14.1).

13.5 Finance income

Breakdown for years 2019 and 2018 is as follows:

	Miles de euros	
	2019	**2018**
Interest on short term assets	2	102
Other financial income	28,799	-
Total	**28,801**	**102**

"Other financial income" includes the amount of remission received from the creditor financial institutions for an amount of EUR 28,799 thousand, derived from the operation of total amortisation of the syndicated financial debt that the Company maintained as a result of the novation of the financial debt carried out in December 2014 (see Note 11.2).

13.6 Audit fees

In 2019 and 2018 the expense corresponding to the financial audit services provided to the Company by Deloitte, S.L. and associated of the same, as well as fees for audit services for independent financial statements of associated and related companies was as follows:

Year 2019:

Description	**Thousand of Euros**
Audit fees	40
Other verification services	32
Total audit services and related services	**72**
Tax advisory services	-
Other Services	-
Total	**72**

Year 2018:

Description	**Thousand of Euros**
Audit fees	38
Other verification services	31
Total audit services and related services	**69**
Tax advisory services	-
Other Services	-
Total	**69**

14. Associated

14.1. Transactions with associates

The detail of transactions with associates for years 2019 and 2018 is as follows:

Year 2019:

	Thousand of Euros			
	Provision from services (Note 13.1)	**Reception of services** (Note 13.4)	**Financial expenses**	**Income financial** (Note 13.1)
Comercial Udra, S.A.U.	549	-	30	3,387
Pinos Altos X.R., S.L.	-	117	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	260	-	-	-
Cartuja Inmobiliaria, S.A.U.	400	-	-	-
Constructora San José, S.A.	14,015	3,279	2,028	29,939
San Jose Concesiones y Servicios, S.A.U.	290	-	26	1
San Jose Energía y Medio Ambiente, S.A.U.	134	-	-	80
Udramedios, S.A.U.	-	-	143	-
Constructora Udra Limitada	1,053	-	-	175
Cadena de Tiendas, S.A.	-	-	19	625
San José Inmobiliaria Perú S.A.C.	616	-	-	-
Concesionaria San Jose Tecnocontrol, S.A.	653	-	-	-
Constructora Sanjose Chile Ltda.	1,457	-	-	186
Fotovoltaica El Gallo, S.A.	86	-	-	-
Constructora San José Argentina, S.A.	41	-	-	-
Udra México S.A. de C.V.	130	-	-	-
GVK Projects & Technical Services Ltd	195	-	-	-
Desarrollos Urbanísticos Udra, S.A.U.	-	-	364	-
Other Company Group	21	84	3	13
Total	**19,900**	**3,480**	**2,613**	**34,406**

Year 2018:

	Thousand of Euros			
	Provision from services (Note 13.1)	**Reception of services** (Note 13.4)	**Expenses financial**	**Income financial** (Note 13.1)
Comercial Udra, S.A.U.	435	-	53	257
Pinos Altos X.R., S.L.	-	115	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	286	-	-	-
Cartuja Inmobiliaria, S.A.U.	416	-	-	-
Constructora San José, S.A.	14,525	4,892	2,427	1
San Jose Concesiones y Servicios, S.A.U.	507	-	14	-
San Jose Energía y Medio Ambiente, S.A.U.	234	-	-	69
Xornal de Galicia, S.A.U.	-	-	-	16
Udramedios, S.A.U.	-	-	142	-
Constructora Udra Limitada	906	-	-	-
Cadena de Tiendas, S.A.	-	-	18	-
San José Inmobiliaria Perú S.A.C.	312	-	-	-
Constructora San José Timor, Unipessoal Lda.	594	-	-	11
Concesionaria San Jose Tecnocontrol, S.A.	1,527	-	-	144
Constructora Sanjose Chile Ltda.	113	-	-	-
Fotovoltaica El Gallo, S.A.	50	-	-	-
Constructora San José Argentina, S.A.	416	-	-	-
Udra México S.A. de C.V.	922	-	-	-
Other company Group	84	-	2	1
Total	**21,327**	**5,007**	**2,656**	**499**

The amount of services rendered by the investee company "Constructora San José, SA" in 2019 and 2018 is mainly for the provision of management services provided by this investee, which, in turn, the Company partially re-invoices to the rest of the Group companies in which it takes part in.

Commercial transactions are carried out in accordance with the terms and conditions established by the parties, under normal market conditions.

Interest, both paid and received, arises from the application of Euribor plus a market spread to the credit and debit balances in current accounts with Group companies.

14.2. Balances with associates

Breakdown of balances with associates is as follows:

Year 2019:

	Thousand of Euros					
	Long-term loans (Note 7.1)	**Trade receivables**	**Short-term Credits**	**Long-term debt**	**Short-term Debts**	**Trade payables**
Comercial Udra, S.A.U.	-	54	645	-	-	-
San José Energía y Medio Ambiente, S.A.U.	650	41	2,071	-	-	-
San José Concesiones y Servicios, S.A.	-	58	-	-	2,554	-
Constructora Udra Limitada	-	176	-	-	-	-
Xornal de Galicia, S.A.	2,014	-	-	-	-	-
Cadena de Tiendas, S.A.U.	-	-	-	-	20	-
Constructora San José, S.A.	-	4,177	-	-	42,644	669
SJB Mullroser Baugeschellsaft	-	-	5,073	-	-	-
Udra Medios, S.A.U.	-	-	-	-	4,665	-
San José Inmobiliaria Perú, S.A.C.	-	53	-	-	-	-
Constructora San José Colombia, S.A.S.	-	1	-	-	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	-	26	-	-	-	-
Pinos Altos XR, S.L.	-	-	-	-	-	10
Cartuja Inmobiliaria, S.A.U.	-	40	-	-	-	-
Udra México, S.A. de CV	-	11	-	-	-	-
GSJ Solutions, S.L.	-	-	-	-	76	-
Desarrollos Urbanísticos Udra, S.A.U.	-	-	-	86,761	-	-
Constructora San José Argentina, S.A.	-	215	-	-	-	-
Other companies of the Group	-	92	-	-	-	-
Balances with companies of the group by tax cosolidation	-	-	**3,897**	-	**664**	-
Total	**2,664**	**4,944**	**11,686**	**86,761**	**50,623**	**679**

Year 2018:

	Thousand of Euros					
	Long-term loans (Note 7.1)	**Trade receivables**	**Short-term Credits**	**Long-term debt**	**Short-term Debts**	**Trade payables**
Comercial Udra, S.A.U.	-	44	-	-	1,221	-
San José Energía y Medio Ambiente, S.A.U.	400	71	2,385	-	-	-
San José Concesiones y Servicios, S.A.	-	102	204	-	-	-
Constructora Udra Limitada	-	152	-	-	-	-
San José France, S.A.S.	-	1	-	-	-	-
Xornal de Galicia, S.A.	2,014	-	-	-	-	-
Cadena de Tiendas, S.A.U.	-	-	-	-	604	-
Constructora San José, S.A.	-	3,849	-	-	67,775	955
SJB Mullroser Baugeschellsaft	-	-	5,060	-	-	-
Udra Medios, S.A.U.	14,100	-	-	-	4,613	-
San José Inmobiliaria Perú, S.A.C.	-	-	278	-	-	-
Constructora San José Colombia, S.A.S.	-	1	-	-	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	-	29	-	-	-	-
Centro Comercial Panamericano, S.A	-	15	-	-	-	-
Soc. Concesionaria Chile Tecnocontrol	-	198	-	-	-	-
San Jose Constructora Chile Ltda.	-	509	4,468	-	-	-
Pinos Altos XR, S.L.	-	-	-	-	-	10
San José Tecnologías Chile Limitada	-	-	310	-	-	-
Cartuja Inmobiliaria, S.A.U.	-	84	-	-	-	-
Udra México, S.A. de CV	-	277	-	-	-	-
GSJ Solutions, S.L.	-	-	37	-	-	-
Constructora San José Argentina, S.A.	-	99	-	-	-	-
Other companies of the Group	-	978	-	-	-	-
Balances with companies of the group by tax cosolidation	-	-	**3,727**	-	**414**	-
Total	**16,514**	**6,409**	**16,469**	-	**74,627**	**965**

The balance of item "long-term debts with Group companies" as of 31 December 2019, amounting to EUR 86,761 thousand, corresponds entirely to the loan made between the Company and the company of the Group "Desarrollos Urbanísticos Udra, S.A.U." on 31 October 2019, for an amount of EUR 86,397 thousand, with a single repayment at maturity at 20 years, at a fixed interest rate of 2.48% per annum, fully repayable at maturity. As of 31 December 2019, it also includes an amount of EUR 364 thousand, corresponding to the financial expense accrued on that date pending settlement.

At 31 December 2019, the amount recorded under "Long-term Group loans and advances to companies", amounting to EUR 2,664 thousand, corresponds mainly to the participatory loans granted by the Company to its investees. The participative loan granted by the Company to its investee "San José Energía y Medio Ambiente, SAU" is included, for an amount of EUR 650 thousand, maturing on 31 December 2022, where the accrual of financiers is subject to the borrowing company obtaining positive results , and whose purpose is to strengthen its equity position. During year 2019, the Company proceeded to capitalise the participatory loans granted to its investees "Udra Medios, S.A.U." as of 31 December 2018. and "San José Energía y Medio Ambiente, S.A.U.", for a total amount of EUR 14,500 thousand (see Note 7.1).

"Short-term loans" and "Short-term liabilities" are derived from current financial account contracts signed with Group companies and accrue interest at Euribor plus a market spread.

Due to the fact that the Company is the head of the consolidated tax group for corporate income tax, the Company recorded under "Deferred Tax Liability" a long-term credit position against the Group, for a total amount of EUR 420 thousand and EUR 1,204 thousand at 31 December 2019 and 2018, respectively, corresponding to the Company's accounts payable to companies within the tax group, for the tax credit recorded by the Company under

"Deferred tax assets", corresponding to negative tax bases contributed to the tax perimeter by them (see Note 12.3).

Additionally, as of 31 December 2019 and 2018, the Company has granted loans to senior management amounting to EUR 87 thousand and EUR 102 thousand, recorded under "Long-term financial investments" under the non-current assets of the accompanying balance sheet. Said loans bear interest rate at Euribor plus a market spread.

Further, at 31 December 2019 and 2018, the Company has receivables from and payables to partners, directors and executives amounting to EUR 87 thousand and EUR 83 thousand, respectively, recorded under "Other current financial assets" and "Other short-term financial liabilities" in the accompanying balance sheet (see Note 11.1).

15. Other disclosure

15.1. Information on deferred payments to suppliers. Third supplementary provision. "Information duties" of Act 15/2010 on 5 July.

Regarding information required by the supplementary third provision of Act 15/2010 on 5 July, detailed below is the average payment term to suppliers of the Company during years 2019 and 2018, as well as the balance of payments to suppliers at 31 December 2019 and 2018:

	Year 2019	Year 2018
Average payment term to suppliers (days)	**15**	**25**
Ratio of paid transactions (days)	15	25
Ratio od transactions pendind payment (days)	25	16
Total payments made (thousands of Euros)	6,000	8,808
Total pending payments (thousand of Euros)	331	331

In accordance with the ICAC Resolution on 29 January 2016, on the information to be incorporated into the financial statements in relation to the average period of payment to suppliers in commercial operations, for the calculation of the average period of payment to suppliers, commercial operations corresponding to the delivery of goods or services accrued during the year have been taken into consideration.

For the sole purpose of giving the information provided in this Resolution, suppliers are considered to be commercial creditors for debts with suppliers of goods or services, included in the "Suppliers" and "Sundry payables" items of the current liabilities of the balance sheet.

The Directors of the Company have not considered the balance of payments made during the year to Group companies domiciled abroad, considering that said balances and transactions are outside the scope of the law.

The maximum legal term of payment applicable to the Company according to Act 15/2010, as of 5 July, amended pursuant to Act 3/2004, on 29 December, amended by Act 11/2013, on 26 July, on the establishment of measures to combat late payment in commercial operations, is 30 days, unless otherwise agreed by the parties, with maximum payment term being 60 days in that case.

Finance costs arising from such deferment will be assumed by the Group as stated on the agreements reached with suppliers.

15.2. Remuneration of Directors and Executives

The detail of the remuneration of all kinds earned in 2019 and 2018 by the members of the Board of the Company is as follows:

Type of Directors	Thousand of Euros	
	2019	2018
Executive	6,065	2,409
Independent board members	489	207
Other external board members	76	16
Total	**6,630**	**2,632**

Total remuneration paid by the Company in years 2019 and 2018 of non-member executives amounts to EUR 1,166 thousand and EUR 503 thousand, respectively.

The Board of Directors in 2019 and 2018 is formed by 10 men and 1 woman.

There were no pension or life insurance obligations to the former or current members of the Board of Directors neither Top Management members.

The directors of the Company are covered by the "Corporate Liability Insurance Policies of Directors and Officers" contracted by the parent company of Grupo SANJOSE , in order to cover possible damages that may be claimed, and that they arise as a result of an error of management committed by its managers or directors, as well as those of its subsidiaries, in the exercise of their positions. Net value of the business activity branch amounts to EUR 82.3 thousand (EUR 88,5 thousand in 2018).

15.3. Breakdown of ownership interest in companies with similar activities and activities and functions of Directors and associates.

In connection with the participation of the Directors of the Company or persons linked to them, in the share capital of companies alien to the same; or if they perform the same business activity or any other similar activity on their own account; or if the same in their own name or any third parties acting on their behalf have performed with the Company or any Group company transactions other than those in the normal course of business or under non-usual market conditions must indicate that the Directors or any other persons linked to them:

- Have not performed on their own account or for any other third parties the same business activity or any other similar activity.
- Do not hold shares in the capital of entities with the same, analogous or complementary type of activity that constitutes the corporate purpose of the Company.
- Have not performed with the Company or any Group company transactions other than those in the normal course of business or under non-usual market conditions.

At year-end 2019 neither the members of the Board of Directors of the Company or any third parties related to them, as defined in the Companies Act, have reported to the other members of the Board of Directors any conflict of interests, either direct or indirect, with the interests of the Company.

16. Events after the reporting period

There are no significant events occurred after 31 December 2019 which may have impacted on the accompanying financial statements.

GRUPO EMPRESARIAL SAN JOSE, S.A.

Management report for the year ending 31 December 2019

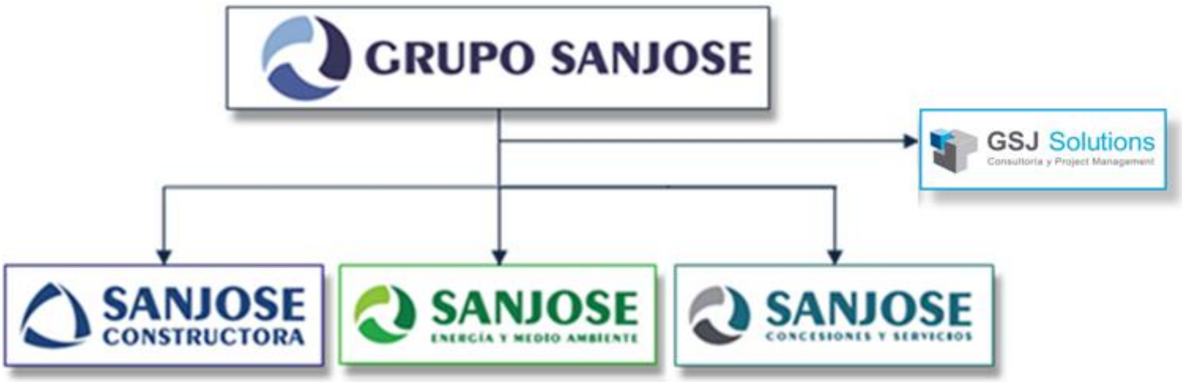
1. Situation of the Company

1.1. Organisational Structure

The Company is the Parent of the Grupo SANJOSE, the Group is arranged as a group of companies operating in different sectors. Since its foundation, the main business activity of the Group is construction, strengthening its activity in the last years.

The main lines of activity developed by Grupo SANJOSE are the following:

- Construction
- Concessions and Services.
- Energy and Environment
- Engineering & Project Management



Likewise, due to the diversification policy of the Group, the Group is present in other lines of activity, such as real estate, trade, stockbreeding and agriculture.

1.2. Performance

The business model of the Group is to create a diversified group regarding both, geographic distribution and lines of activity as a way of being less exposed to the risk inherent to a single activity. The Group has a clear international vocation, becoming increasingly important activities developed overseas, with a higher significance in the turnover of the Group. In 2019, 46% total revenue of the Group comes from overseas (51% in 2018).

The Group is present in more than 20 countries all around the world, especially in the Middle East and Latin America.

The main objective of the Group is to continue balancing the turnover, taking the construction activity as the main engine, increasing its activity in the international arena –boosting development in the countries where we are already present and in those of future penetration–, maintaining quality standards and satisfaction of customers and suppliers that have positioned Grupo SANJOSE as a benchmark in the market, analysing and encouraging the application of innovation and technological progress, and maintaining a reduced cost level that guarantees the profitability of projects.

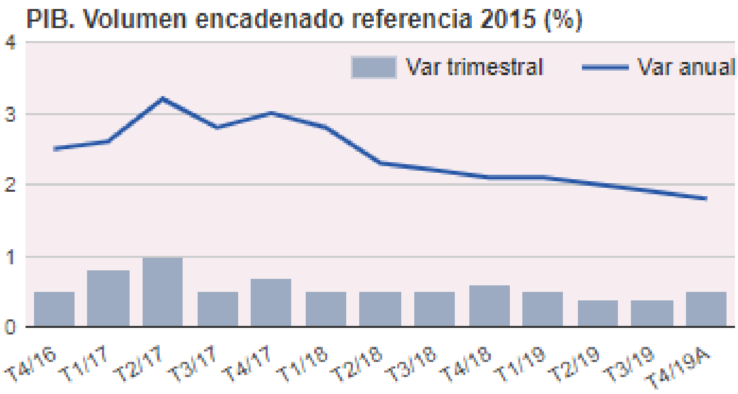
2. Evolution of the market

2.1. Market performance

After the period of recession following the economic-financial crisis of 2007, Spain is framed in a context of moderate growth, but slightly above that of the European powers.

In 2018, according to data from the National Institute of Statistics (INE), gross domestic product (GDP) growth reached 2.6%. In terms of volume, the GDP of year 2019 has grown by 2%, what represents a deceleration of 6 percentage points (p.p.) with respect to the growth in the year 2018.

In the fourth quarter of 2019 the Gross Domestic Product closed with a growth of 0.5% compared to the same period of 2018. Positive growth has been maintained since 2013. However, a small standstill in GDP growth can be observed compared to the previous years. The International Monetary Fund, which in October estimated a GDP increase of 1.8% for this year, has cut this forecast to 1.6% at its last meeting in early 2020 held in the Swiss city of Davos. At this meeting, same 1.6% growth is foreseen for year 2021 in Spain. This reduction relies mainly on a decrease in the forecast of domestic demand and exports. The Spanish economy continues to make up lost ground during the crisis, according to the IMF, although it points out that the pace of growth will be moderated in the coming years to converge with the growth of potential GDP, above which it has been growing in recent years. Please notice Spain GDP chart below:

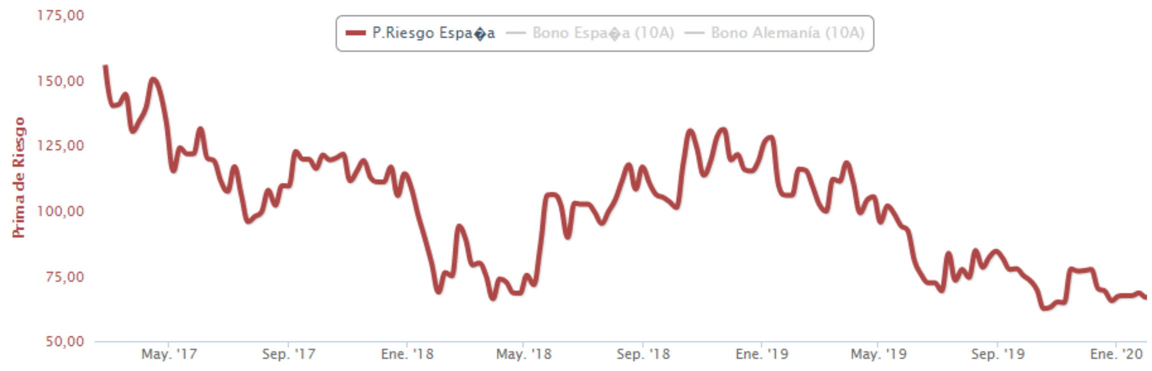


source: INE

The employment rate in Spain increased by 2% during year 2019, what has contributed decisively to the increase in the demand for goods and services. Specifically, the increase in domestic demand accounted for 1.7 (pp.) over the 2% increase in GDP, with the increase in the trade balance being the factor that mainly contributed the difference

Impact of construction within the overall economy of Spain is very significant. Its importance has been increasingly reduced over the last years. Its importance lies in the important effect of the construction sector on the whole economy, due to the effect on intermediate suppliers and because it provides the country with the necessary infrastructure to boost the economy, contributing to increase productivity and long-term growth capacity of the economy in general.

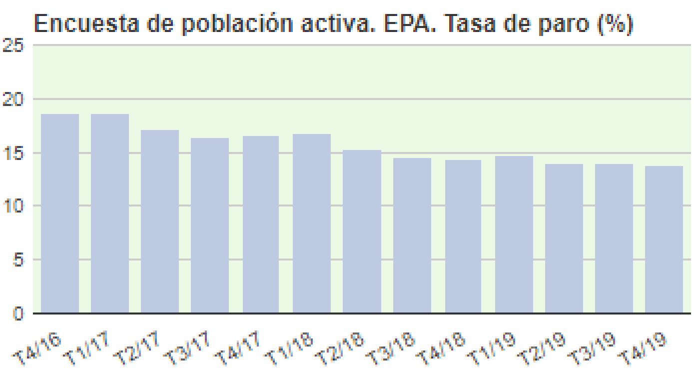
This period of greater stability has not gone unnoticed abroad. As a consequence, the risk perception of the foreign investor, which is translated into the risk premium (the ten-year Spanish bond differential with the German “bund” bond for the same term), which has closed 2019 at 65 points , representing a 44.91% reduction compared to the end of 2018, confirming the improvement in the international perception of the Spanish economy. This improvement in the risk premium lowers the country's ability to finance itself through debt issuance and thus be able to undertake more investments. Please notice risk premium chart:



source: Infobolsa

Therefore, economic activity shows signs of stability, although these signs are not sufficient for the country to be free of risks in the short-term. To consolidate the trend, the improvement of aspects such as employment, public debt and public deficit must be maintained.

With regards to employment, in 2019 the unemployment decline of previous years was maintained, being the unemployment figure 13.78% in the fourth quarter of 2019. Please notice Spain unemployment chart:



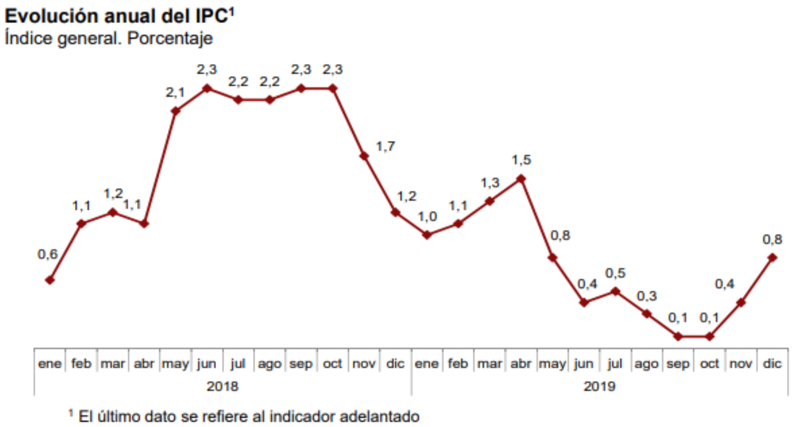
source: INE

The number of those unemployed decreased in 2019. The total number of unemployed registered in the offices of public employment services stood at 3.19 million people at the end of the fourth quarter of 2019. Thus, 2019 added a seventh consecutive annual decline, standing at lows since 2008. On the contrary, the occupancy rate has registered a total of 19.96 million people employed at the end of 2019. Please notice people unemployed chart:

At the end of year 2019, public debt has grown compared to 2018: increasing from EUR 1,173,348 million to EUR 1,188,893 million, representing 97% of GDP

As for the public deficit, the figure for 2018 reached 2.54% of GDP or, what is the same EUR 30.495 million in the absence of knowing, the final data for 2019 is estimated to be at a similar percentage.

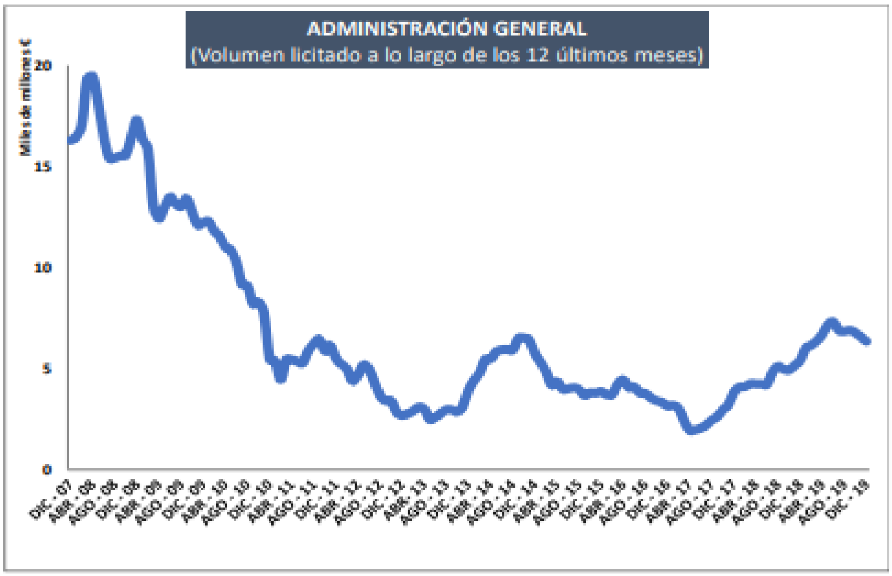
The CPI stood at 0.8% in December 2019, four tenths below the end of 2019, please notice CPI year-to-year evolution:



source: INE

Despite this year-on-year decline, a rebound at the end of the year that is motivated by the rise in crude oil prices, that, along with the increase in lubricants, has placed transport as the sector with the highest price increase during 2019 with a 4% increase and an influence on the interannual variation of the CPI of 52.90%. On the opposite side is housing, with a negative influence of 12.6%.

The main national market where the Group operates, construction, continues to not reach pre-crisis levels, although, as can be seen in the volume of public tendering there is an upward trend since April 2017 with symptoms of exhaustion in the last part of the 2019 year This exhaustion can be reversed if the political landscape is stabilised after several years of uncertainty. During 2019, the volume of public bidding has increased by 11.83% compared to 2018, ending the year at EUR 18.545 million including building and civil works. (data SEOPAN). Please notice Spain public building investment:



source: SEOPAN

In addition to the domestic market. Grupo SANJOSE is present in the Middle East, South America and Asia.

Globally, the International Monetary Fund has also revised downwards the growth perspective by 100 and 200 basis points for 2020 and 2021 respectively, leaving these forecasts at 3.3% and 3.4%. This forecast is mainly supported by the lower than expected growth data produced in India, and below the projected growth of emerging economies such as Brazil, Mexico, Russia and Turkey. It is estimated that future meetings will yield even lower estimates for 2020 due to the Coronavirus crisis, which will greatly affect the manufacturing sector with the consequent impact on the economy as a whole.

Within the developed economies, a 1.6% growth is projected for years 2020 and 2021, 0.1% lower than projected in October due mainly to the downward revisions of the growth of the United States, motivated by protectionist policies that it has been implementing, and of the advanced economies of Asia, especially in Hong Kong, due to political protests

With this macroeconomic situation, the Group's basic lines of activity are the effort to improve profitability, being flexible in adapting its structure to the reality existing in Spain, and strengthening its intention to present a business with a diversification and growing internationalization.

The Group carries on its activities in industries, countries and socio-economic and legal environments that entail different levels of risk. The Group controls these risks in order to avoid decreased shareholder returns or difficulties for its customers. It uses instruments in order to identify these risks sufficiently in advance or to avoid them by minimising them.

The Group maintains a backlog amounting to EUR 1,868 million, ensuring its medium and long-term future, both in the execution of work, and in the realisation and provision of services in concession and energy projects.

2.2. Main consolidated figures

Main figures of the company for year 2019 are as follows:

Consolidated Management Balance Sheet

Thousands of euros

	Dic. 19		Dic. 18		
	Amount	%	Amount	%	Var.
Intangible assets	17,577	1.8%	18,079	1.8%	-2.8%
Property, plant and equipment	76,949	7.7%	71,033	7.1%	8.3%
Real state investments	9,542	1.0%	10,731	1.1%	-11.1%
Investments accounted for using the equity method	20,295	2.0%	40,422	4.1%	-49.8%
Long term finantial investments	51,294	5.1%	87,738	8.7%	-41.5%
Deferred taxes assets	34,462	3.4%	36,558	3.7%	-5.7%
Goodwill on consolidation	9,984	1.0%	9,984	1.0%	0.0%
TOTAL NON-CURRENT ASSETS	**220,102**	**22.0%**	**274,545**	**27.6%**	**-19.8%**
Inventories	109,879	11.0%	114,885	11.5%	-4.4%
Trade and other receivables	350,634	35.1%	259,865	26.1%	34.9%
Other short term finantial investments	82,761	8.3%	58,166	5.8%	42.3%
Short-term accruals	3,851	0.4%	4,902	0.5%	-21.4%
Cash and cash equivalents	233,045	23.3%	283,434	28.5%	-17.8%
TOTAL CURRENT ASSETS	**780,170**	**78.0%**	**721,252**	**72.4%**	**8.2%**
TOTAL ASSETS	**1,000,272**	**100.0%**	**995,797**	**100.0%**	**0.4%**

Thousands of euros

	Dic. 19		Dic. 18		
	Amount	%	Amount	%	Var.
Equity attributable to shareholders of the parent	135,947	13.6%	81,079	8.1%	67.7%
Minority interest	27,123	2.7%	24,262	2.3%	11.8%
TOTAL EQUITY	**163,070**	**16.3%**	**105,341**	**10.6%**	**54.8%**
Long term provisions	44,774	4.5%	40,121	4.0%	11.6%
Long term finantial liabilities	132,833	13.2%	252,084	25.3%	-47.3%
Long term derivative finantial contracts	169	0.0%	351	0.0%	-51.9%
Deferred taxes liabilities	24,261	2.4%	25,635	2.6%	-5.4%
Long-term accruals	864	0.1%	865	0.1%	-0.1%
TOTAL NON CURRENT LIABILITIES	**202,901**	**20.3%**	**319,056**	**32.0%**	**-36.4%**
Short term provisions	32,932	3.3%	31,227	3.1%	5.5%
Short term finantial liabilities	55,951	5.6%	65,759	6.6%	-14.9%
Trade accounts and other current payables	545,418	54.5%	474,414	47.7%	15.0%
TOTAL CURRENT LIABILITIES	**634,301**	**63.4%**	**571,400**	**57.5%**	**11.0%**
TOTAL EQUITY & LIABILITIES	**1,000,272**	**100.0%**	**995,797**	**100.0%**	**0.4%**

Consolidated Management Income Statements

Thousands of euros

	Grupo SANJOSE				
	Dic. 19		Dic. 18		
	Amount	%	Amount	%	Variac.
Revenue	**958,249**	**100.0%**	**758,423**	**100.0%**	**26.3%**
Other operating income	15,397	1.6%	11,816	1.6%	30.3%
Change in i nventories	-616	-0.1%	1,933	0.3%	--
Procurements	-665,993	-69.5%	-507,779	-67.0%	31.2%
Staff costs	-142,956	-14.9%	-116,801	-15.4%	22.4%
Other operating expenses	-111,890	-11.7%	-95,912	-12.6%	16.7%
EBITDA	**52,190**	**5.4%**	**51,680**	**6.8%**	**1.0%**
Amortisation chargue	-10,867	-1.1%	-5,040	-0.7%	115.6%
Imparment on inventories	-6,382	-0.7%	-258	0.0%	2372.0%
Changes in trade provisions and other imparment	-11,730	-1.2%	-5,351	-0.7%	119.2%
EBIT	**23,212**	**2.4%**	**41,031**	**5.4%**	**-43.4%**
Ordinary finantial results	21,888	2.3%	-8,764	-1.2%	--
Changes in fair value for finantial instruments	-158	0.0%	-2	0.0%	-
Foreign exchangue results and others	-7,530	-0.8%	1,221	0.2%	--
Impairment and financial instruments profit	142,980	14.9%	-6,578	-0.9%	--
NET FINANTIAL RESULT	**157,180**	**16.4%**	**-14,123**	**-1.9%**	**--**
Results on equity method	-4,155	-0.4%	88	0.0%	--
PROFIT BEFORE TAX	**176,237**	**18.4%**	**26,996**	**3.6%**	**552.8%**
Income tax	-13,056	-1.4%	-8,828	-1.2%	47.9%
CONSOLIDATED PROFIT	**163,181**	**17.0%**	**18,168**	**2.4%**	**798.2%**

Alternative Performance Measures (APM):

In its consolidated summary financial statements for year 2019, the Group prepared its results in accordance with generally accepted accounting regulations. However, directors believe that certain alternative performance measures (MARs) reflect the true and fair view of its financial information and provide useful additional financial information used in the management of the business and that shall be considered to adequately assess performance of the group.

Among others, the Group identifies the following APMs:

- EBITDA: defining it as the gross operating result, calculated from operating income, excluding depreciation, provisions and impairment provided or reverted during the period, as well as the result from disposal of fixed assets.

Net financial debt (NFD): total amount of bank and non-bank financial debt, including finance lease creditors and the valuation of obligations associated with financial derivative instruments, discounting the amount recorded under "Other current financial assets" And "Cash and cash equivalents" under current assets in the balance sheet.

Backlog: total amount of sales contracted by Group companies with customers, discounting items made and recognised as income under the income statement, in concession contracts, the total amount of sales is identified with the best estimate carried out by the Group, which is included in the economic-financial business plan of the concessionaire.

Revenue:

Net revenue of Grupo SANJOSE for the year ended 31 December 2019 stands at EUR 958,2 million, experiencing a 26.3% increase compared to the previous year.

The main activity of Grupo SANJOSE is Construction, which currently represents more than 90% of the total turnover for the Group in the period, and accounts for 71% of the Group's total portfolio at the end of the 2019. The turnover of this line of activity in 2019 stands at EUR 862.3 million, experiencing a 27.6% growth with respect to the figure obtained in the previous year.

Moreover, 2019 has shown the recovery of the real state and urban development figures, which have increased from 3,8 million to 12,8 million due to, mainly, the Peruvian real state activity.

On the other hand, Concessions and Services revenue has not changed its performance compared to the previous year.

Revenue of Grupo SANJOSE by type of activity is as follows:

Thousands of euros

Revenues by activity	Grupo SANJOSE				
	Dic. 19		Dic. 18		Var.(%)
Construction	862,316	90.0%	675,961	89.0%	27.6%
Real estate and property development	12,778	13%	3,761	0.5%	239.7%
Energy	9,494	10%	9,711	13%	-2.2%
Concessions and services	49,765	5.2%	50,875	6.7%	-2.2%
Adjustment and other	23,896	2.5%	18,115	2.4%	31.9%
TOTAL	**958,249**		**758,423**		**26.3%**

As has been happening in recent years, diversification in international markets shows great strength and continues being a significant aspect in the Group business plan. In year 2019, it increases 13,3% compared to 2018 and contributes 46% of the total turnover of the Group.

Likewise, there is an important growth in the turnover of domestic market, experiencing an increase of 39.9% compared to the previous year and amounts 521,5 million of euros.

Thousands of euros

Revenues by geography	Grupo SANJOSE				
	Dic. 19		Dic. 18		Var.(%)
National	521,532	54%	372,893	49%	39.9%
International	436,717	46%	385,530	51%	13.3%
TOTAL	**958,249**		**758,423**		**26.3%**

Profit:

The EBITDA of Grupo SANJOSE for the year ended 31 December 2019 amounts to EUR 52.2 million, with a 5.4% margin on net revenue.

EBITDA obtained in the Construction activity, contributes in year 2019 an amount of EUR 39.8 million and represents 76% of the total EBITDA of the Group

Likewise, it is worth noting the favourable evolution experienced in the Energy activity line that experiences a growth of 15.2%, and also that of the Concessions and Services segment, which records an 8.8% increase in EBITDA at the end of 2019.

EBITDA breakdown by activity is as follows:

Thousands of euros

EBITDA by activity	Grupo SANJOSE				
	Dic. 19		Dic. 18		Var.(%)
Construction	39,791	76.3%	36,695	71.1%	8.4%
Real estate and property development	1,785	3.4%	27	0.1%	6515.4%
Energy	3,117	6.0%	2,705	5.2%	15.2%
Concessions and services	2,498	4.8%	2,297	4.3%	8.8%
Adjustment and other	4,999	9.6%	9,956	19.3%	-49.8%
TOTAL	**52,190**		**51,680**		**1.0%**

Earnings before interest and taxes of Grupo SANJOSE for the year 2019 amounts to EUR 23.2 million.

Profit before tax of Grupo SANJOSE for the year ended 31 December 2019 amounts to EUR 176.2 million.

On 31 October 2019, the Group has sold to the company Merlin Properties Socimi, S.A. 14.46% of its participation in the company Distrito Castellana Norte S.A. (This company has the ownership of the urban development operation known as "Madrid Nuevo Norte"), by a total amount of 168,9 million[1]. After this operation the Group has agreed with the creditor financial institutions the full repayment of the financial debt and the cancellation of the warrants issued.

Grupo SANJOSE retains 10% of the shares of Distrito Castellana Norte S.A. and representation on its board of directors.

At the end of 2019, the **net cash position is positive by** an amount of **126,9 million**.

Net Equity

At 31 December 2019 the Group net equity stood at 163.1 million and has increased 54.8% compared to 2018. The equity position has a significant strength and is important to notice that the participative loans are not included on this report. (On 2018 financial statements of the management report were included 111.4 million)

The stock evolution and another relevant information about the market share can be found in the Note 9 of this management report.

[1] The payment received for the participation sold, was EUR 168.9 million in cash and a loan issued by the buyer by an amount of EUR 129.1 million. This loan has two tranches and only the second tranche, of 86.4 million, is not fully repaid at 31 December 2019.

Management cash flows statement

Thousands of Euros

CASH FLOW	Grupo SANJOSE Dic. 19	Grupo SANJOSE Dic. 18
Cash flow from operating activities	**49,252**	**56,552**
Working capital	-489	41,291
Others adjustments	-31,328	-12,467
Operating cash flow	**17,435**	**85,375**
Divestments / (Investments)	159,509	-6,236
Others adjustments	10,579	56,533
Investment cash flow	**170,088**	**50,297**
Free cash flow	**187,523**	**135,672**
Capital flow & Minorities	-1,166	-261
Increase / (Decrease) in borrowings	-231,102	-63,215
Net interest	-1,704	-7,180
Others adjustments	-4,446	-1
Financing cash flow	**-238,418**	**-70,657**
Diferences due to changes in exchange rates	**506**	**-1,715**
Total cash flow	**-50,389**	**63,300**

In year 2019, resources generated by the transactions amount to EUR 49.3 million.

It is noticeable the great improvement on the investing cash flow, which rose until the amount of 170.1 million due to the cash received after the sold of the Distrito Castellana Norte S.A. operation (see the details on Revenue note).

In the last two years, SANJOSE Group has diminished their financial debt by a total amount of 294.3 million.

Backlog

Grupo SANJOSE's backlog, indicating the business contracted in the future by the Group, amounts to EUR 1,868 million as of 31 December 2019, the detail being as follows:

Millions of euros

BACKLOG by segment	Grupo SANJOSE Dic. 19		Dic. 18		Var.(%)
Construction	**1,312**	**70%**	**1,334**	**70%**	**-1.7%**
Civil works	221	11.8%	169	8.9%	31.0%
Non residential building	721	38.5%	829	43.4%	-13.0%
Residential building	357	19.1%	331	17.4%	7.7%
Industrial	13	0.7%	5	0.5%	170.8%
Energy	**392**	**21%**	**395**	**21%**	**-0.8%**
Concessions and services	**164**	**9%**	**187**	**10%**	**-12.3%**
Maintenance	24	1.3%	18	1%	35.8%
Concessions	140	8.5%	169	9%	-17.4%
TOTAL BACKLOG	**1,868**	**100%**	**1,916**	**100%**	**-2.5%**

Millions of euros

BACKLOG by geography	Grupo SANJOSE Dic. 19		Dic. 18		Var.(%)
National	**1,165**	**62%**	**1,098**	**57%**	**6.1%**
International	**703**	**38%**	**818**	**43%**	**-14.1%**
TOTAL BACKLOG	**1,868**		**1,916**		**-2.5%**

Millions of euros

BACKLOG by client	Grupo SANJOSE Dic. 19		Dic. 18		Var.(%)
Public client	**708**	**38%**	**820**	**43%**	**-13.6%**
Private client	**1,160**	**62%**	**1,096**	**57%**	**5.9%**
TOTAL BACKLOG	**1,868**		**1,916**		**-2.5%**

It is worth saying that there is a shift in contracting towards the private client compared to the public client, as has been shown in recent quarters.

The Construction portfolio, the Group's main activity, has a total amount of 1.312 million at 2019 and represents 70% of the total portfolio.

2.3. Performance by sector

Construction

This line of activity has generated a revenue for EUR 862.3 million during year 2019, what represents a 27.6% increase regarding the previous year.

Construction EBITDA in the year stood at EUR 39.8 million and represents a margin of 8.4% over the sales figure

Earnings before tax of Grupo SANJOSE for 2019 stands at EUR 56.6 million, experiencing a 97.3% increase compared to the previous year.

At the end of the current period, the Group's contracted portfolio in this line of activity amounts to 1,312, maintaining practically the levels at the end of 2018 (EUR 1,334 million)

Thousands of euros

CONSTRUCTION	Grupo SANJOSE Dic. 19	Dic. 18	Var.(%)
Revenue	862,316	675,961	27.6%
Earnings before interest, taxes, D&A (EBITDA)	39,791	36,695	8.4%
EBITDA margin	4.6%	5.4%	
Earnings before interest and taxes (EBIT)	20,262	27,296	-25.8%
EBIT margin	2.3%	4.0%	
Earnings before tax	56,641	28,703	97.3%

Breakdown of revenue of this line of activity of Grupo SANJOSE, classified by main project type and geographic area, is as follows:

Thousands of euros

DETAIL OF CONSTRUCTION REVENUES	National		Internac.		Total	
Civil works	54,741	11.8%	45,260	11.4%	100,001	11.6%
Non residential building	229,549	49.4%	210,988	52.9%	440,537	51.1%
Residential building	167,055	36.0%	140,076	35.0%	307,131	35.6%
Industrial	12,414	2.7%	0	0.0%	12,414	1.4%
Others	822	0.2%	1,411	0.4%	2,234	0.3%
TOTAL	**464,581**	**54%**	**397,735**	**46%**	**862,316**	

International construction revenue for year 2019 stands at EUR 397.7 million, with an increase compared to the data recorded in the previous year, and it accounts for 46% of the total of this line of activity.

Domestic sales stand at EUR 464.6 million versus the EUR 320.2 million recorded for the previous year, recording a 45.1% increase. Sales from international markets contribute 54% of the total line of activity.

Real estate and urban development.

The main real estate activity carried out by the Group during ear 2019 has been that corresponding to the development, commercialisation and delivery of the first housing units in the “Condominio Nuevavista” residential development, in Lima, Peru. The project foresees the construction of a total of 1,104 housing units arranged into 10 buildings, whose works began in the previous year.

During the first half of 2019, the Group has delivered the Stage I, II and III (200 housing units), allowing the Group to recover levels of income from previous years.

Currently, stages III and IV (128 housing units each) of the aforementioned development are in progress, presenting satisfactory levels of commercialisation, and the delivery of both stages during 2020.

Turnover corresponding to year 2019 for the SANJOSE Group Real Estate activity stands at EUR 12.8 million. Real state EBITDA in the year stood at EUR 1.8 million and represents a margin of 14% over the sales figure

Likewise, as evidenced by the main magnitudes of the GROUP, in this line of activity, an extraordinary profit is included as a result of the previously mentioned partial sale of Distrito Castellana Norte, S.A.

Thousands of euros

	Grupo SANJOSE		
REAL ESTATE AND PROPERTY DEVELOPMENT	**Dic. 19**	**Dic. 18**	**Var.(%)**
Revenue	12,778	3,761	239.7%
Earnings before interest, taxes, D&A (EBITDA)	1,785	27	6515.4%
EBITDA margin	14.0%	0.7%	
Earnings before interest and taxes (EBIT)	-4,848	-633	666.0%
EBIT margin	-37.9%	-16.8%	
Earnings before tax	138,415	-6,311	--

Energy

Turnover corresponding to year 2019 for this line of activity stands at EUR 9.5 million.

EBITDA corresponding to year 2019 of this line of activity stands at EUR 3.1 million compared to the EUR 2.7 million obtained in the previous year, representing a growth of 15.2%.

Thousands of euros

	Grupo SANJOSE		
ENERGY	**Dic. 19**	**Dic. 18**	**Var.(%)**
Revenue	9,494	9,711	-2.2%
Earnings before interest, taxes, D&A (EBITDA)	3,117	2,705	15.2%
EBITDA margin	32.8%	27.9%	
Earnings before interest and taxes (EBIT)	1,929	1,446	33.4%
EBIT margin	20.3%	14.9%	
Earnings before tax	1,494	914	63.5%

The percentage of EBITDA on sales of this business activity corresponding to year 2019 stands at 32.8% (27.9% in 2018).

For the portfolio of this line of activity, in addition to the normal production and exploitation of the contracts in force, the Group carries out regular reviews due to the effect of the regulatory changes and the estimated occupancy and demand levels, making the necessary adjustments when appropriate.

Grupo SANJOSE has a total contract backlog for this line of activity amounting to EUR 392 million for year 2019, which shall be translated as more activity of the group during a period of 25 years.

Concessions and Services

Turnover corresponding to year 2019 for this line of activity stands at EUR 49.8 million.

EBITDA for 2019 increased by 18.8%, amounting to EUR 2.5 million, representing a 5.0% margin on sales (4.5% in 2018).

Thousands of euros

	Grupo SANJOSE		
CONCESSIONS AND SERVICES	**Dic. 19**	**Dic. 18**	**Var.(%)**
Revenue	49,765	50,875	-2.2%
Earnings before interest, taxes, D&A (EBITDA)	2,498	2,297	8.8%
EBITDA margin	5.0%	4.5%	
Earnings before interest and taxes (EBIT)	1,334	1,576	-15.3%
EBIT margin	2.7%	3.1%	
Earnings before tax	5,030	5,936	-15.3%

At the closing of 2019, contract backlog of this line of activity amounted to EUR 164 million.

2.4. Average payment term to suppliers

The Group has paid its suppliers during year 2019 with an average weighted payment period of approximately 40 days. This figure is within the average legal period established by law 15/2010 which is 30 days, extended to 60 days in those cases with agreements between the parties.

A significant part of the Group's transactions is with public sector customers, such as States, Autonomous Communities, City Halls, Local Agencies and other public authorities, which usually pay in longer periods than the established by Law. Due to this, the Group sometimes has payment deadlines which exceed the payment periods set out by law. However, the Group follows the overall practices within the sector, following common sense and not abusing their powers pursuant to Article 3 Act 3/2004.

3. Liquidity and capital resources

Liquidity

The Group pursues the prudent management of the liquidity risk based on the maintenance of sufficient cash and marketable securities, availability of financing through s sufficient level of committed credit facilities and sufficient capacity to settle market positions. The Group calculates its cash requirements through a 12-month cash budget.

Liquid assets are administered centrally within Grupo SANJOSE in order to optimise resources through “cash pooling” systems. In the event of cash surplus, short-term investments are held in safe highly liquid deposits.

During 2019, net position has changes as follows:

Thousands of euros

NET CASH POSITION		Dic. 19 Amount	%	Dic. 18 Amount	%	Var.
Other short term finantial investments		82,761	26.2%	58,166	17.0%	42.3%
Cash and cash equivalents		233,045	73.8%	283,434	83.0%	-17.8%
	Total cash	**315,806**	**100%**	**341,600**	**100%**	**-7.6%**
Long term finantial liabilities (*)		132,833	70.3%	252,084	79.2%	-47.3%
Long term derivative finantial contracts		169	0.1%	351	0.1%	-51.9%
Short term finantial liabilities		55,951	29.6%	65,759	20.7%	-14.9%
	Total debt	**188,952**	**100%**	**318,194**	**100%**	**-40.6%**
TOTAL NCP		**126,853**		**23,406**		**442.0%**

(*) Regardless of their effective date of amortization, financial liabilities are classified as "current" for accounting purposes if they are used to finance assets classified as "current" in the Balance Sheet.

The net treasury position at the end of 2019 is placed in a positive position of EUR 126.9 million compared to EUR 23.4 million recorded under net financial debt at the end of 2018, which represents a very significant improvement in the net treasury position, having increased in the year by just over EUR103 million.

Financial debt also includes the financing of project finance without recourse for a total value of EUR 71.4 million at 31 December 2019 (105.9 million at the of 2018).

Capital resources

Further, The Company does not expect any material change in its structure, including equity and debt, or the relative cost of capital resources during year 2019.

Future contractual obligations

The main obligations which the Group is exposed to are those deriving from financing agreements, as well as the intrinsic obligations of construction and service contracts with clients. There are no future commitments of investment or purchase of assets for significant amounts.

4. Main risks and uncertainties

The Group operates in sectors, countries and socio-economic and legal environments that involve the assumption of different levels of risk. The Company manages these risks in order to avoid involving a loss of profitability for its shareholders or cause trouble to customers by: i) identification ii) measurement; iii) control; iv) monitoring and, v) assessment of the different types of risk from an integrated and global perspective

Operational risks

Main risks arising from the Group's activity are market risks (those related to the sufficiency of demand for services and products), regulatory and political risks, labour, environmental, quality maintenance and adaptation to what is established under contractual framework with clients, etc.

In the stage of acceptance of projects, and in order to guarantee its realisation according to the established contractual parameters, with maximum quality standards, guaranteeing customer satisfaction and meeting the minimum profitability levels required, an individualised study is made of each project.

Likewise, the Group has an International Legal and Tax Department, which analyses the impact of the different regulatory frameworks on the Group's activity, the fiscal framework, etc., given its growing international presence, as a way to avoid local regulatory risks.

Financial risks

Due to its activity, the Group faces the following risks arising from payment and collection rights of business transactions:

Interest rate risk: This is the main risk which the Group is exposed to as a result of the bank borrowings described in the notes to the consolidated financial statements. Further, the Financial Management of Grupo SANJOSE in order to minimise exposure to this risk has arranged cash flow hedges to protect the Company against foreseeable interest rate increases in the future.

Foreign currency risk: The Group's policy is to borrow in the same currency as that of the cash flows of each business. Consequently, there is currently no significant foreign currency risk. However, noteworthy in this connection are the exchange rate fluctuations arising in translating the financial statements of foreign companies whose functional currency is not the Euro. In view of the Group's geographical expansion over the last few years, exposure to foreign currency risk may arise in the future. Should this risk arise, the best solution will be analysed in order to minimise it by arranging hedges, provided such instruments conform to the Group's corporate criteria.

Credit risk: rick which arises from customer defaults, is managed by means of the preventive assessment of the solvency rating of the Group's potential customers at the beginning of the relationship and throughout the duration of the contract, evaluating the credit rating of the outstanding amounts receivable and reviewing and segregating the estimated recoverable receivables from doubtful receivables.

-Liquidity risk: dealt with on Note 3 of this report herein.

5. Events after the reporting period

During the month of February 2020, the Group has received notification from the client regarding the termination of the Checca-Mazocruz Road Improvement Contract in Peru. The Group considers that the reasons alleged by the client for the termination of the contract are unfounded, and intends to request the initiation of the arbitration procedure provided for in the contract itself.

Further, there are no other significant events occurred after 31 December 2019 which may have impacted on the accompanying financial statements

6. Future outlook

The change of trend in the economic cycle of Spain during the last years, together with the growth forecasts for the 2020 and 2021 years, and the improvement of GDP in 2018 and 2019, suggests that the domestic economy will maintain stable in 2020 within the framework of the macroeconomic risks detailed on Note 2.1.

The Company has focused its activity on the construction sector and the provision of services, without neglecting real estate opportunities, related to real estate assets owned.

The main lines of action of the Group's business plan are:

- To keep the procurement level in the domestic market.
- To continue with the international activity, through a geographic diversification, and by business line:
    - Taking advantage of the value acquired in countries where it is present (Abu Dhabi, Chile, Argentina, Mexico, etc.) to increase its presence.
    - Taking advantage of new opportunities for expansion.

In this sense, in 2019, the Group has worked on the achievement of new projects, which accompany those already awarded in 2018.

On the international level, we can highlight:

- The work awarded in Chile by the Atacama Health Service, which awarded SANJOSE Constructora Chile the execution of the Huasco Community Hospital, a new health infrastructure distributed in 4 buildings.
- In Portugal, SPPP - Praça Principe Perfeito, SA has awarded SANJOSE Constructora Portugal the execution works of the administrative complex “Martinhal Expo Offices” of 41,000 m² of built surface.
- In Cape Verde, Restelo Aul Exploração Turística awarded SANJOSE Constructora Portugal Stage II (Installations and finishes) of the new 31-room boutique hotel, and SÃOJOSE Constructora Cabo Verde will be responsible for the construction of the 5-star RIU Palace Santa María Hotel on the Island de la Sal, which consists of 5 buildings of three heights (more than 45,000 m2 of built surface) that will mainly house 743 rooms and a restaurant.

Whereas in Spain:

- To be highlighted among residential projects: the Sabina complex in Cala Tarida - Ibiza, General Oraá 9 in Madrid, Llul in Palma de Mallorca, Barqueta Gate in Seville, Lagasca 38 in Madrid, Tabit in El Cañaveral - Madrid, Zorroaga supervised apartments in San Sebastián , Serenity Collection in Estepona Málaga, García de Paredes 4 of Madrid, Célere Vega in Málaga, Castillejo 95 in Las Palmas de Gran Canaria, Lantana in Córdoba, Bagaria in Cornellá de Llobregat - Barcelona, Azara in Alicante, Plaza Duque de Pastrana 7 de Madrid, social housing units in Barakaldo - Vizcaya, Célere Cuatro Caminos in A Coruña, Pier I in Rota - Cádiz, Torre Patraix in Valencia, Claudio Coello 108 of Madrid, Park & Residential Palace in Madrid These projects add 1,372 housing units and 200.000 square meters of built surface.
- Likewise, the Secuoya Group awarded SANJOSE Constructora Stage II of the construction works of this complex that houses the Corporate Headquarters of the Secuoya Group and the first Netflix production headquarters in Europe Stage II contemplates acting on a constructed area exceeding 12,000 m2, while Stage I, also carried out by SANJOSE, involved 10,000 m2.
- Among the civil works awarded, the award of the refurbishment and transformation of the urban environment of the Gran Vía de Vigo, consisting of a redistribution of spaces to increase the role of pedestrians; the wind farms for Norvento Ingeniería, consisting of three wind farms located in the Galician province of Lugo, which total 19 wind turbines and a total installed capacity of 65.7MW.
- The GROUP will participate in important projects in JV such as the construction of the Sangonera-Totana AVE section of the Mediterranean Corridor, a 24.7-kilometre stretch between Murcia and Almería; a stretch of 20, 2 kilometres of the Autovía del Duero in Valladolid or the Ferrol Hospital Complex whose works of the first stage involve a built surface of 35,000 square metres.

Furthermore, in the Concessions and Services segment, the maintenance of the air conditioning of 201 Primary Care centres in the Community of Madrid is noteworthy

In the international market, especially in emerging countries, there are business opportunities for the Group that, within its expansion policy, will try to take advantage of these growth paths. Likewise, it will continue working to consolidate its national presence even further, also relying on the prediction of a better performance in the private sector. All of the above, supported by the macroeconomic prospects for improving the economy, both nationally and internationally, are positive arguments for the future of construction.

In view of the Company's backlog amounting to EUR 1,868 million, its organic stability is assured, foreseeing to maintain the average size of the projects, trying to take advantage of public bidding opportunities, both in national territory and in foreign countries, especially in those in which it has presence and expertise.

7. R&D Activities

Grupo SANJOSE, aware of the importance that represent the activities of Research, Development and Innovation for competitiveness and business success, develops and collaborates in R &D&I trying to offer innovative technical solutions that meet the demands and needs of its customers. In order to facilitate the detection of opportunities, generating innovative ideas and the development of R&D activities, a R&D Management System following the guidelines set out in the standard UNE 166002 and having obtained the AENOR recognition through certification in the following companies has been implemented:

Among the initiatives developed by the Group in 2019, highlights the R&D project for an automated and fixed detection and dissipation system for fog precipitation on hydrometric data. Which has been patented for use on highways and railways.

In turn, it is immersed in several R&D& I projects funded by the Centre for Industrial Technological Development (CDTI). R&D issues are widely developed in the non-financial information and diversity Report of Grupo Empresarial San José, S.A. and subsidiaries for the year ending 31 December 2019, prepared by the Group and accompanying this management report.

8. Treasury share transactions

Grupo SANJOSE did not have treasury shares in 2019 and 2018.

9. Other Information of Interest

Stock exchange information

The shares of Grupo SANJOSE trade on the Madrid Stock Exchange. The main indicators and the evolution of the stock are as follows:

	2019	**2018**
Capitalisation* *(Thousands of Euros)*	390,156	299,120
No shares *(x 1,000)*	65,026	65,026
Price end of the period *(euros)*	6.00	4.60
Last price for the period *(euros)*	6.00	4.60
Maximum price for the period *(euros)*	9.33	6.09
Minimum price for the period *(euros)*	4.59	3.24
Volume *(thousands of shares)*	41,113	33,614
Cash *(thousands of Euros)*	291,797	149,386

* Capitalisation is calculated with shares admitted to trading and does not include shares issued from extensions that have not yet been listed.

source: Bolsas y Mercado Españoles (BMEX)

The share price shows a revaluation of 30.43% year-on-year above the 11.82% increase in the Spanish reference index IBEX 35.

Dividend policy

The Group has the aim of keeping the debt and equity structure financially strong, leaving the dividend policy subordinated to this objective.

Profit distribution proposal

The Company board of directors will propose to the Shareholders General Meeting the distribution of the 2019 profit, which is 53.444 thousand euros to offset against "Loss of previous years" and to legal and statutory reserve for amounts of 53.317 and 127 thousand euros, respectively.

10. Non-Financial Information

According to the new Law 11/2018 on non-financial information and diversity information amending the Code of Commerce, the consolidated restated text of the Companies Act passed by Royal Decree-law 1/2010, of 2 July, and Act 22/2015, of 20 July, on Accounts Auditing, in terms of non-financial information and diversity information (deriving from Royal Decree-law 18/2017). Information of this nature is developed in the consolidated non-financial information statement of Grupo Empresarial San José, S.A. and subsidiaries for the year ended 31 December 2019, accompanying the financial statements of the Company.

11. ANNUAL CORPORATE GOVERNANCE REPORT

In accordance with the provisions of commercial legislation, the Annual Corporate Governance Report of GRUPO SANJOSE, which is available on the Group's website, and also on the website of the National Market Commission, is attached by reference of Securities, and is an integral part of the consolidated Management Report of GRUPO SANJOSE for the year ended 31 December 2019.

Grupo Empresarial San José, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2019, Consolidated Directors' Report and Consolidated non-Financial Information Statement 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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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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Grupo Empresarial San José, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Grupo Empresarial San José, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated income statement, consolidated statement of recognized income and expenses, consolidated statement of changes in equity, consolidated cash flow statement 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 2019, 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.

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.

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C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Recognition of revenue from long-term construction contracts

Description	Procedures applied in the audit
The Group uses the percentage of completion method to recognise revenue from certain long-term contracts. This revenue recognition method was a key matter in our audit, as it affects a highly significant amount of total consolidated revenue, as well as the measurement of the amounts to be billed for work performed, and requires Group management to make highly significant estimates relating mainly to the expected outcome of the contract, the amount of costs to be incurred at the end of the construction work, the work completed in the period and the recognition of variations in the initial contract, all of which impact the revenue recognised in the year. These judgements and estimates are made by the persons in charge of performing the construction work, are subsequently reviewed at the various levels of the organisation, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.	Our audit procedures consisted, among others, the performance of substantive analytical procedures related to the evolution of the margins of the works and in the analysis of a sample of works, based on qualitative and quantitative factors. Furthemore, we performed a detailed analysis of a sample of projects in order to evaluate the reasonableness of the assumptions and hypotheses used by the Group. We also reviewed the consistency of the estimates made by the Group in previous year with the actual data for the contracts in current year. Regarding the amounts to be billed for work performed, we analysed the recognition of revenue from work in progress and its recoverability on the basis of a sample of contracts. Lastly, we focused our work on verifying that the accompanying consolidated financial statements include the related disclosures required by the applicable financial reporting framework. In this connection, Note 4.11 discloses the fact that the percentage of completion method is used to recognise revenue from long-term contracts, and Note 13.1 includes additional disclosures in relation to balances recognised corresponding to amounts to be billed for work performed.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, 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 information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels thereof:

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 this section 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 non-financial information described in section a) above is presented in the separate report "Consolidated non-financial information" which is referenced in the consolidated director's report, that the Annual Corporate Governance Report mentioned in that section is included in the consolidated director's report, and that the other information contained in the consolidated director's report is aligned with the consolidated financial statements for 2019 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit 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 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 forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 27 February 2020.

Engagement Period

The Annual General Meeting held on 27 June 2019 appointed us as auditors of the Group for a period of one year from the year ended 31 December 2018.

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 1995, 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

Antonio Sánchez-Covisa Martín-González
Registered in ROAC under no. 21.251

27 February 2020

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 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 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 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.

Grupo Empresarial San José, S.A. and Subsidiaries

Consolidated Financial Statements for
the year ended 31 December 2019, Consolidated
Directors’ Report
and consolidated non-financial information report

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

Translation into English of consolidated financial statements for the year ending 31 December 2019 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiairies

Consolidated balance sheet at 31 December 2019 and 31 December 2018

(Thousand of Euros)

ASSETS	Note	31-12-2019	31-12-2018
NON-CURRENT ASSETS:			
Intangible assets	7	**17,577**	**18,079**
Goodwill on consolidation	8	**9,984**	**9,984**
Property, plant and equipment	9	**76,948**	**71,033**
Land and buildings		57,560	53,766
Plant and other equipment		19,388	17,267
Investment property	10	**9,542**	**10,731**
Investments in associates and joint ventures	11	**20,295**	**40,422**
Equity investments in associates		20,295	40,422
Long-term investments	13.4	**51,294**	**87,738**
Equity instruments		2,329	2,941
Loans to third parties		48,068	83,986
Other financial assets		897	811
Deferred tax assets	20	**34,462**	**36,558**
TOTAL NON-CURRENT ASSETS		**220,102**	**274,545**
CURRENT ASSETS:			
Inventories	12	**109,879**	**114,885**
Trade and other receivables		**350,634**	**259,865**
Trade receivables for sales and services	13.1	310,944	231,942
Related companies receivables	23	3,243	3,301
Sundry accounts receivable		2,602	3,055
Public administrations	20	33,845	21,567
Investments in associates and joint ventures		**1,129**	**1,938**
Short-term investments	13.3	**81,632**	**56,228**
Short-term accruals		**3,851**	**4,902**
Cash and cash equivalents	13.2	**233,045**	**283,434**
TOTAL CURRENT ASSETS		**780,170**	**721,252**
TOTAL ASSETS		**1,000,272**	**995,797**

EQUITY AND LIABILITIES	Note	31-12-2019	31-12-2018
EQUITY:			
Share capital		**1,951**	**1,951**
Issurance premium		**155,578**	**155,578**
Reserves		**(196,736)**	**(197,226)**
Legal and statutory		263	263
Other reserves		(196,999)	(197,489)
Reserves in consolidated companies		**59,712**	**47,004**
Translation differences		**(47,564)**	**(51,053)**
Equity-Valuation adjustments		**232**	**154**
Profit for the year attributable to the parent company		**162,774**	**13,198**
Equity attributable to Parent shareholders		**135,947**	**(30,394)**
Minority interests		**27,123**	**24,262**
TOTAL EQUITY	14	**163,070**	**(6,132)**
NON-CURRENT LIABILITIES:			
Long-term provisions	15	**44,774**	**40,121**
Long-term debt	16	**133,002**	**252,435**
Bonds and other securities		32,995	66,476
Bank loans and overdrafts		5,447	180,940
Other financial liabilities		94,560	5,019
Deferred tax liabilities	20	**24,261**	**25,635**
Long-term advances		**864**	**865**
TOTAL NON-CURRENT LIABILITIES		**202,901**	**319,056**
CURRENT LIABILITIES:			
Short-term provisions	15	**32,932**	**31,227**
Current bank borrowings	16	**55,951**	**177,149**
Bonds and other securities		32,653	32,714
Bank loans and overdrafts		18,170	141,935
Other financial liabilities		5,128	2,500
Payable to related companies	23	**-**	**12**
Trade and other payables	18	**539,634**	**469,068**
Trade payables		380,921	327,221
Sundry creditors		4,463	6,352
Staff, remuneration payable		6,133	5,044
Tax payables	20	14,300	19,915
Advances from customers	13.1	133,817	110,536
Short-term accruals		**5,784**	**5,417**
TOTAL CURRENT LIABILITIES		**634,301**	**682,873**
TOTAL EQUITY AND LIABILITIES		**1,000,272**	**995,797**

Accompanying Notes 1 to 26, as well as the Appendix I, II and III, are part of the consolidated balance sheet as 31 December 2019.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiairies

Consolidated income statement for years 2019 and 2018

(Thousand of Euros)

	Note	Year 2019	Year 2018
CONTINUING OPERATIONS			
Revenue	22.1	**958,249**	**758,423**
Change in inventories of finished goods and work	22.10	**(2,298)**	**1,351**
Work performed by the Group for its property, plant and equipment	9	**150**	**3**
Procurements	22.2	**(670,693)**	**(507,455)**
Cost of raw materials and other consumables used		(245,700)	(167,083)
Works performed by other companies		(420,293)	(340,696)
Impairment of goods held for resale, raw materials and other supplies	12.7	(4,700)	324
Other operating income		**15,306**	**11,863**
Non-core and other current income		15,247	11,813
Operating grants taking to income		59	50
Staff costs	22.3	**(142,956)**	**(116,801)**
Wages and salaries		(113,129)	(91,762)
Social charges		(29,827)	(25,039)
Other operating expenses	22.2	**(126,637)**	**(103,975)**
Outside services		(104,189)	(86,910)
Tributes		(5,702)	(6,455)
Impairment losses and changes in provisions for trade		(14,747)	(8,061)
Other operating expenses		(1,999)	(2,549)
Depreciation and amortisation charge	7, 9 y 10	**(10,867)**	**(5,040)**
Excessive provisions		**3,013**	**580**
Impairment and gains or losses on disposal of non-current assets	22.9	**(55)**	**(26)**
Gains or losses on negative consolidation differences	2.4.d	**-**	**2,108**
PROFIT FROM OPERATIONS		**23,212**	**41,031**
Finance income	22.7	**39,834**	**12,913**
On group companies and associates equity shares		14	27
Other financial instruments			
- On third parties		39,820	12,886
Finance costs	22.8	**(17,946)**	**(21,679)**
On debts to Group companies and associates		-	10
On debts to third parties		(17,946)	(21,689)
Change in fair value of financial instruments		**(158)**	**-**
Exchange differences		**(3,595)**	**7,606**
Adjustment for inflation in hyperinflationary economies	2.3	**(3,935)**	**(6,385)**
Impairment and gains or losses on disposal of financial instruments	22.11	**142,980**	**(6,578)**
FINANCIAL PROFIT		**157,180**	**(14,123)**
Profit/(Loss) of companies accounted for using the equity method	11	**(4,155)**	**88**
PROFIT/ (LOSS) BEFORE TAXES		**176,237**	**26,996**
Income Tax	20	(13,056)	(8,828)
PROFIT/ (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**163,181**	**18,168**
PROFIT / (LOSS) ATTRIBUTABLE TO EXTERNAL PARTNERS		**407**	**4,970**
PROFIT / (LOSS) FOR THE YEAR		**162,774**	**13,198**

Accompanying notes 1 to 26 to the Annual Report and Appendix I, II and III form an integral part of the Consolidated Income Statement at 31 December 2019.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSES
FOR YEARS 2019 AND 2018
(Thousand of Euros)

	Note	31/12/2019	31/12/2018
CONSOLIDATED PROFITS / (LOSSES) OF THE YEAR		**163,181**	**18,168**
Income and expenses recognised directly in equity		**7,102**	**14,427**
-For cash flow hedges		(20)	27
-Translation differences		7,074	2,456
-Adjustment on equity in hyperinflationary economies	2.3	-	11,954
-Other		52	(5)
-Tax effect		(4)	(5)
Transfer to income statement		**(134)**	**(6,075)**
-For cash flow hedges		194	321
-Translation differences	3	(214)	(6,318)
-Other		(83)	(18)
-Tax effect		(31)	(60)
TOTAL RECOGNISED INCOMES / (EXPENSES)		**170,149**	**26,520**
a) Attributable to Parent		166,341	22,731
b) Attributable to minority interests		3,808	3,789

Accompanying notes 1 to 26 to the Annual Report and Appendix I, II and III form an integral part of the consolidated statement of recognized income and expenses at 31 December 2019.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR YEARS 2019 AND 2018

(Thousand of Euros)

	Note	Share Capital	Issurance premium	Legal Reserve	Other reserves of the parent	Consolidated Reserves: In consolidated companies	Consolidated Reserves: In associated companies	Translation differences	Equity Adjustments	Profit of the year	Total Equitty attributable to parent	Minority interests	Total Equity
Balance at December 31, 2017		**1,951**	**155,578**	**263**	**(197,890)**	**34,616**	**5,239**	**(60,365)**	**(67)**	**11,440**	**(49,235)**	**20,866**	**(28,369)**
Adjustments for the first application IFRS 15 y IFRS 9	2.2	-	-	-	-	(3,890)	-	-	-	-	**(3,890)**	(6)	**(3,896)**
Adjusted balance at January 1, 2018		**1,951**	**155,578**	**263**	**(197,890)**	**30,726**	**5,239**	**(60,365)**	**(67)**	**11,440**	**(53,125)**	**20,860**	**(32,265)**
Distribution of profit for year 2018:		-	-	-	-	-	-	-	-	-	**-**	-	**-**
-To reserves		-	-	-	401	11,249	(210)	-	-	(11,440)	**-**	-	**-**
-Dividend payment	3	-	-	-	-	-	-	-	-	-	**-**	(261)	**(261)**
Variation of the consolidation perimeter		-	-	-	-	(3,291)	3,291	-	-	-	**-**	(126)	**(126)**
Other equity movements		-	-	-	-	8,641	(8,641)	-	-	-	**-**	-	**-**
Total recognized income/expenses year 2018		-	-	-	-	-	-	9,312	221	13,198	**22,731**	3,789	**26,520**
Balance at December 31, 2018		**1,951**	**155,578**	**263**	**(197,489)**	**47,325**	**(321)**	**(51,053)**	**154**	**13,198**	**(30,394)**	**24,262**	**(6,132)**
Adjustments for the first application IFRS 15 y IFRS 9	2.2	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Adjusted balance at January 1, 2019		**1,951**	**155,578**	**263**	**(197,489)**	**47,325**	**(321)**	**(51,053)**	**154**	**13,198**	**(30,394)**	**24,262**	**(6,132)**
Distribution of profit for year 2018:		-	-	-	-	-	-	-	-	-	**-**	-	**-**
-To reserves		-	-	-	490	12,620	88	-	-	(13,198)	**-**	-	**-**
-Dividend payment		-	-	-	-	-	-	-	-	-	**-**	(1,046)	**(1,046)**
Variation of the consolidation perimeter	3	-	-	-	-	(2,624)	2,624	-	-	-	**-**	99	**99**
Other equity movements		-	-	-	-	1,321	(1,321)	-	-	-	**-**	-	**-**
Total recognized income/expenses year 2019		-	-	-	-	-	-	3,489	78	162,774	**166,341**	3,808	**170,149**
Balance at December 31, 2019		**1,951**	**155,578**	**263**	**(196,999)**	**58,642**	**1,070**	**(47,564)**	**232**	**162,774**	**135,947**	**27,123**	**163,070**

Accompanying notes 1 to 26 to the Annual Report and Appendix I, II and III form an integral part of the Consolidated Statement of Changes in Equity at 31 December 2019.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiairies

CONSOLIDATED CASH FLOW STATEMENTS FOR YEAR 2019 AND 2018

(Thousand of Euros)

	Note	Year 2019	Year 2018
Cash flows from operating activities:			
(+) Profit (Loss) before tax		176,237	26,996
(+) Depreciation and amortisation charge	7, 8 y 10	10,867	5,040
(+/-) Changes in operating allowances		18,115	7,739
(-) Imputation of subsidies for the year		23	50
(-) Financial income	22.7	(39,834)	(12,913)
(+) Financial costs		17,946	21,679
(+/-) Exchange differences		7,530	(1,221)
(+/-) Result of changes in value of financial instruments		158	-
(+/-) Result of companies accounted for using the equity method		4,155	(88)
(+/-) Impairment and gains or losses on disposals of financial investments	22.12	(142,980)	6,578
(+/-) Other gains or losses		(2,965)	2,692
Total Cash Flows from operating activities		**49,252**	**56,552**
Other adjustments			
(-) Income tax paid in the year		(26,816)	(8,910)
(+/-) (Increase) / Decrease in working capital			
Operating working capital assets			
a) (Increase)/Decrease in inventories		217	(3,037)
b) (Increase)/Decrease in debtors and other receivables		(91,148)	(7,319)
c) (Increase)/Decrease in other current non financial assts		(615)	(6,243)
Operating working capital liabilities			
a) (Increase)/Decrease in trade payables		81,113	57,439
b) (Increase)/Decrease in other current non financial liabilities		9,944	450
(+/-) Other collections / (payments) due to operating activities		(4,512)	(3,557)
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES		**17,435**	**85,375**
Investments:			
(+) Intangible assets		(906)	316
(+) Property, plant and equipment and investment property		(4,145)	3,005
(+) Shares and other financial assets		(5,558)	5,326
Total Investments		**(10,609)**	**8,647**
Dividends received		**-**	**1,507**
Disposals:			
(+) Intangible assets		90	-
(+) Property, plant and equipment		676	185
(+) Shares and other financial assets		169,352	2,226
Total Disposals		**170,118**	**2,411**
Other collections / (payments) due to financing activities		**10,579**	**55,026**
2. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES		**170,088**	**50,026**
Other collections / (payments) due to treasury share transactions		**(120)**	**-**
Dividends paid		**(1,046)**	**(261)**
Increase / (decrease) in financial borrowings		**(231,102)**	**(63,215)**
Non current		(83,047)	(404)
Current		(148,055)	(62,811)
Net interests:		**(1,704)**	**(7,180)**
Received		7,807	5,045
Paid		(9,511)	(12,225)
Other collections / (payments) due to financial activities		**(4,446)**	**(1)**
3. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES		**(238,418)**	**(70,657)**
4. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES		**506**	**(1,715)**
TOTAL CASH FLOWS FOR THE YEAR		**(50,389)**	**63,300**

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**283,434**	**220,134**
Changes in the year		(50,389)	63,300
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**233,045**	**283,434**

Acompanying notes 1 to 26 to the Annual Report and Appendix I, II and III form an integral part of the Consolidated Cash Flow Statement for year 2019

Grupo Empresarial San José, S.A. and Subsidiaries

Consolidated notes
for the year ended 31 December 2019

1. Activities of the Group

a) Incorporation

Grupo Empresarial San Jose, S.A. (hereinafter "the Parent") was incorporated on 18 August 1987 for an unlimited period of time by virtue of a public deed executed in Pontevedra in the presence of Pontevedra notary, Rafael Sanmartin Losada, under number 1539 of his protocol.

At the Ordinary and Extraordinary General Shareholders Meeting of the Company held on 17 June 2008, it was agreed to change the corporate name into that of "Grupo Empresarial San Jose S.A.” (former, “Udra, S.A.), which was duly formalised by means of a public deed dated 17 July 2009.

The Parent is registered in the Mercantile Register of Pontevedra on sheet 88 of the Companies book 586, entry no. 1 on page no. 8119. It holds tax identification number A-36.046.993.

Registered office is located in Pontevedra, at calle Rosalia de Castro, 44.

The shares of the Parent are listed on the Spanish Stock Exchange since July 2009.

b) Legal framework

The Parent is governed by its by-laws, the Commercial Code, the Spanish Companies Law and other legislation applicable to companies of this type.

c) Activities

The activities carried on by the Parent and its investees (Grupo San Jose) are classified into the following business units:

1. Development of all forms of real estate construction.
2. Performance of all manner of public or private construction work, mainly buildings, road networks and hydraulic works.
3. Purchase and sale, administration, operation and any other similar activities in relation to all manner of rural or urban property.
4. Lease of all manner of assets.
5. Design, construction and management of electricity and renewable energy facilities.
6. Storage, distribution, purchase and sale and import of manufactured products.
7. Management and recruitment of personnel for all types of company, association and organisation.
8. Study, design, development and purchase and sale of all manner of electronic, computer, telecommunications and audio-visual components, products and systems.
9. Full maintenance of hospital facilities, maintenance of operating theatres and electro medical equipment, and manufacture and sale of integrated systems for operating theatres, ICUs and patient rooms.

10. Study, design and installation of air conditioning, heating, industrial cooling and plumbing facilities; purchase and sale or manufacture of all kinds of related mechanisms; to sell and act as representative for third-party products.

11. Healthcare: construction of hospital facilities and public and private healthcare maintenance services; electro medicine and gas facilities and maintenance.

12. Facilities and services: integral installation work, electrical, mechanical and hydraulic installation work, turnkey projects and special installation work, as well as the maintenance of all manner of other facilities not related to the healthcare industry such as industrial facilities, other properties, etc.

13. Infrastructure and transport: performance of infrastructure and transport studies, projects and installation work, including those relating to airports, ports, railways and other types of transport infrastructure.

14. Energy and environment: performance of studies and projects focused on the production and sale of energy and industrial maintenance, waste water treatment, installation of water treatment plants and other environmental activities.

Under no circumstances shall the company object be deemed to include activities the performance of which requires any type of administrative authorisation which the Company does not hold.

Also, the Parent may subscribe to, purchase or acquire by any other means shares and/or other equity interests in other public and private limited companies, even if their company object differs from that of Grupo Empresarial San Jose, S.A., and may form new public or private limited companies with other legal entities or individuals, whatever valid purpose or activity the newly formed companies may have.

Furthermore, Grupo Empresarial San Jose, S.A. is the Parent of the San Jose Group. Its main object is the management and control of all the business activities performed by the companies in which it has a material and lasting ownership interest.

The San Jose Group's activities are led by Grupo Empresarial San Jose, S.A. (a holding and real estate company), which in turns mainly participates in: Constructora San Jose, S.A. (construction), San Jose Consesiones y Servicios, S.A.U. (maintenance services), San Jose Energia y Medio Ambiente, S.A. (energy), and Desarrollos Urbansticos Udra, S.A.U. (urban development).

Group companies, whose business activities have to meet certain environmental requirements, have adopted the relevant environmental measures in order to comply with current legislation in this connection. Since the costs relating to these requirements are not considered to be material with respect to equity, financial position and results of these companies, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

The specific lines of business of each subsidiary, jointly controlled entity and associate are disclosed in Appendixes I, II and III.

2. Basis of presentation of the consolidated financial statements and basis of consolidation

2.1 Regulatory framework and accounting principles

These consolidated financial statements for 2019 of Grupo Empresarial San Jose, S.A. and Subsidiaries ("Grupo San Jose " or "the Group") are formally prepared by the Parent's directors, in accordance with International Financial Reporting Standards as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council ("EU-IFRSs"), taking into account all the mandatory accounting principles and rules and measurement bases in IFRSs, and, accordingly, they present fairly the Grupo San Jose's consolidated equity and financial position at 31 December 2019 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

Grupo SANJOSE's consolidated financial statements were prepared from the accounting records of the Company and of the other Group entities. Each company prepares its individual financial statements in accordance with the accounting principles and rules in force in the country in which it operates and, accordingly, the required adjustments and reclassifications were made on consolidation to unify the policies used and to make them compliant with IFRSs.

The consolidated financial statements of Grupo SANJOSE and Subsidiaries for 2018, prepared in accordance with EU-IFRSs, were approved by the shareholders at the Annual General Meeting of Grupo Empresarial San Joes, S.A. (formerly named Udra, S.A.) held on 27 June 2019. Further, 2019 consolidated financial statements of the Group and the individual financial statements of the Group companies for the year have not yet been approved by the shareholders at the respective Annual General Meetings. However, the Parent's directors consider that the aforementioned consolidated financial statements will be approved without any changes.

Standards and interpretations applicable for the year

During year 2019 the following standards and interpretations, compulsory as from year 2019 onwards and adopted by the European Union, became in force and have been applied by the Group for the elaboration of the accompanying consolidated financial statements for the year ended at 31 December 2019:

Adopted for use within the EU		**Compulsory application as from:**
New standards		
IFRS 16 Leases (released in January 2016)	New single accounting model for lessers (It replaces IAS 17).	1 January 2019
Amendments and/or understanding		
Amendment to IFRS 9 Features of the early repayment to offset loss carry-forwards (released in October 2017)	This amendment will allow the valuation at amortised cost of some financial assets repayable in advance for an amount less than the outstanding amount of principal and interest on said principal.	1 January 2019
IFRIC 23 Uncertainty about tax treatments (published in June 2017)	This interpretation clarifies how to apply the registration and measurement criteria of IAS 12 when there is uncertainty about the acceptability by the tax authority of a specific tax treatment used by the entity.	1 January 2019
Amendment IAS 28 on Long-term interest in associates or joint ventures (released in October 2017)	It clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.	1 January 2019
Amendments of IFRS 3 Business combinations - Improvement annual cycle 2015-2017 (published December 2017).	Acquisition of control of a former joint venture transaction	1 January 2019
Amendments of IFRS 11 Joint Ventures - Improvement annual cycle 2015-2017 (published December 2017).	Acquisition of control of a joint venture replacing a business.	1 January 2019
Amendments of IFRS 12 Income tax - Improvement annual cycle 2015-2017 (published December 2017).	Record of the tax impact of the remuneration of financial instruments qualifying as net equity.	1 January 2019
Amendments of IFRS 23 Interest cost - Improvement annual cycle 2015-2017 (published December 2017).	Capitalisation of financing interest pending payment, referring to an asset ready for use.	1 January 2019
Amendment of IAS 19 – Amendment - reduction or liquidation of a plan (released in February 2018)	It details how to calculate the cost of the service for the current period and the net interest for the remainder of an annual period when a modification, reduction or liquidation of a defined benefit plan occurs.	1 January 2019

The enforcement of these standards and regulations has not had any significant impact on the accompanying consolidated summary financial statements, with the exception of IFRS 16.

The Group has applied, as of 1 January 2019, IRFS 16 “Leases” replacing IAS 17. This rule establishes for the lessee that all leases (excluding exceptions for reduced amount or duration) generate the accounting of an asset for the right of use, registered as a material asset according to its nature, and of a liability for future payment obligations incurred into.

The liability will be recorded at the current value of the future cash flows of each lease and the asset for an equivalent amount adjusted for any advance payment paid.

The Group has carried out a detailed analysis of all the lease contracts that it has signed, both as lessor and lessee. With the adoption of IFRS 16, in the contracts in which it acts as a lessee, the Group has recognised in the consolidated balance sheet the right to use the leased assets and the liabilities derived from the majority of the previously classified lease agreements as operating leases under IAS 17, with the exception of short-term agreements, which are aimed at low-value assets and, in the transition to the aforementioned standard, leases that expired in the year 2019 have also been excluded .

In the first application of the aforementioned standard, the Group has opted for applying it with modified retroactive nature without re-expressing the previous year, without impact on reserves, so that the accounting record is made for those contracts previously classified as operating leases under IAS 17 until 31 December 2018. The Group has recorded a financial liability equivalent to the current value of the estimated future payments discounted at the incremental rate of the debt at the date of the first implementation, recording as a counterpart the corresponding material asset, adjusted as appropriate for the fees paid in advance and for provisions for retirement and dismantling expenses, without the value of the asset being able to exceed its fair value. No adjustment has been made for leases previously considered as financial leases.

In calculating the lease liability as of 1 January 2019, the Group has applied the incremental rate of financial debt, which, in general, is equivalent to an effective interest rate of approximately 4% and, affecting a lower number of contracts, specific rates depending on the term and country applicable in the concerned country.

At 31 December 2018, obligations arising from operating leases by Grupo amounted to EUR 8.4 million. The difference between the aforementioned amount and that of the liabilities recorded as of 1 January 2019 under the application of IFRS 16, amounting to EUR 2.2 million, arising from the financial discount of future payments, the existence of leases of low value or with term smaller than one year and other impacts related to the extension and cancellation of contracts, mainly.

Details of the impact of the first application of IFRS 16 at 01 January 2019 is as follows:

	Thousands of Euros
Net Cost	
Land and buildings	1,929
Plant and machinery	4,709
Other items of property, plant and equipment	137
Total net cost	**6,775**
Financial debt	
Non-Current bank borrowings	3,466
Current bank borrowings	3,309
Total financial debt	**6,775**

With regard to the income statement of the Group corresponding to year 2019, the first application of IFRS 16 as of 1 January 2019 has mainly led to a higher financial expense amounting to EUR 5,729 thousand, a reduction expense for the same amount, a higher financial expense for the year amounting to EUR 233 thousand.

Non-applicable issued standards and interpretations

As of the date of issue of these consolidated financial statements, the following standards had been published by the IASB, yet their application was not compulsory either because the effective date is subsequent to the date of issue of these statements or because they had not been adopted by the EU.:

Non-adopted for use within the EU		Compulsory application as from:
New standards		
IFRS 17 Insurance Contracts (released in May 2017)	It replaces IFRS 4 and reflects the principles of registration, valuation, presentation and disclosure of insurance contracts so that the entity provides relevant and reliable information for allowing users to determine the effect that contracts have on financial statements.	1 January 2021
Amendments and/or understanding		
Amendment to IFRS 3 Negative definition of business (released in October 2018)	Classification of business.	1 January 2020
Amendment IAS 1 and IAS 8 Definition of “materiality” (released in October 2018)	Amendment of IAS 1 and IAS 8 to align the definition of “materiality” within the framework.	1 January 2020

In general, the Group expects that the entry into force of the other standards and interpretations should not have a significant impact on the consolidated financial statements.

2.2 Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Directors of the Parent.

In the preparation of the accompanying consolidated financial statements estimates were occasionally made by management of the Group and of the consolidated companies to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

1. The useful life of the property, plant and equipment and intangible assets (see Notes 4.2 and 4.3).

2. Measurement of goodwill arising on consolidation (see Note 4.1).

3. The budgetary estimates which are considered for the recognition of results on contracts to which the percentage of completion method is applied (construction and industrial areas, see Note 4.11).

4. The assessment of potential impairment losses of certain assets (see Notes 4.1, 4.2, 4.3, 4.4, 4.6, 4.7, 4.8 and 4.8).

5. The probability of occurrence and the amount of uncertain or contingent liabilities (see Note 4.16 and 4.17).

6. The fair value of certain financial instruments (see Note 4.8).

7. The fair value of assets and liabilities acquired in business combinations (see Notes 2.4 and 8).

8. The assessment of the recoverability of tax credits (see Note 4.15).

9. Management of financial risk (Note 19)

Although these estimates were made on the basis of the best information available at 31 December 2019 on the events analysed, events that might take place in the future might make it necessary to significantly 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, recognising the effects of the change in estimates in the consolidated income statements for the years affected.

2.3 Currency

These consolidated financial statements are presented in Euros, since this is the functional currency of the main economic environment where Grupo SANJOSE operates. Foreign operations are recognised in accordance with the policies established in Note 4.13.

The breakdown of the closing and average exchange rates of the period used to prepare the consolidated financial statements for 2019 is as follows:

Country	Currency	Year-end exchange rate	Average exchange rate
The United States /East-Timor	US Dollar (USD)	1.120	1.120
Argentina	Argentine Peso (ARS)	69.700	-
Mexico	Mexican Peso	21.175	21.705
Cape Verde	Cape Verde Escudo	110.265	110.265
Panama	Panamanian Balboa	1.120	1.120
Uruguay	Uruguayan Peso	40.988	38.991
Paraguay	Guaraní	7,105.010	6,873.640
Peru	Peruvian Sol	3.719	3.737
Chile	Chilean Peso (CLP)	839.580	791.639
Brazil	Brazilian Real	4.511	4.420
India	Indian Rupee	79.883	78.876
Nepal	Nepalian Rupee	128.050	126.502
United Arab Emirates	UAE Dirham	4.113	4.113
Colombia	Colombian Peso	3,683.830	3,679.289
Morocco	Morocco Dirham	10.614	10.699
Bolivia	Boliviano	7.529	7.563

Main balances and transactions in foreign currency correspond to those from Chile, Peru, Mexico, Argentina Cape Verde and Abu Dhabi. Note 6.2. of the accompanying consolidated financial statements includes total assets and revenue provided by companies with operating currency other than the Euro.

None of these countries, with the exception of Argentina, are considered to be hyper-inflationary economies as defined by IAS 29.

Hyper-inflationary economy

On 1 July 2018, as a result of reaching cumulative inflation in the year exceeding 100% during the last three years, Argentina has been declared a hyper-inflationary economy. Thus, terms under IAS 29 rule.

Criteria followed in the application of IAS 29 for the year ending 31 December 2018 is described under Note 2.3 of the notes to the financial statements of Grupo SANJOSE for the year ending 31 December 2018.

The inflation considered for this calculation in the year 2018 has been 53.8%. This index is extracted from the information published by the National Institute of Statistics and Censuses (INDEC), a public body, through the publication of the Consumer Price Index that measures the variation in the prices of goods and services representative of consumer spending of homes.

Breakdown for the last years is as follows:

	31.12.2016	**31.12.2017**	**31.12.2018**	**31.12.2019**
Price index based	100	124.8	184.3	283.5
Annual variation	n/a	24.8%	47.7%	53.8%

Re-expression profits/(loss) recorded in the financial statements of companies with Argentine peso functional currency are included in the consolidated income statement under adjustment for inflation in hyper-inflationary economies". The effect on profit/(loss) of the adjustments for inflation of Group companies with Argentine peso functional currency, corresponding to the first half of year 2019, amounts to a loss of EUR 3,935 thousand.

The effect on equity of the revaluation of non-monetary items, that stands during year 2019 at EUR 14,115 thousand, as well as the translation differences generated when the restated financial statements of subsidiaries in Argentina are converted into Euros, are recorded under "Translation differences in consolidated companies" under consolidated net assets of the Group.

2.4 Basis of Consolidation

a) Subsidiaries

"Subsidiaries" are defined as companies over which the Parent has the capacity to exercise control; this capacity is evidenced by the power to manage the financial and operating policies of an investee so as to obtain benefits from its activities. Control is presumed to exist when the Parent owns directly or indirectly half or more of the voting power of the investee or, if this percentage is lower, when there are agreements with other shareholders of the investee that give the Parent control.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all balances and effects of the transactions between consolidated companies were eliminated on consolidation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are recognised at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill. Any deficiency in the cost of acquisition with respect to the fair values of the identifiable net assets acquired, that is, discount in the acquisition, is charged to income on the date of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets and liabilities recognised. The minority's share of:

1. The equity of their investees: It is presented within the Group's consolidated equity under "Minority Interests" in the consolidated balance sheet.

2. Differences are recorded under "Exchange rate differences" in the accompanying income statement.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Appendix I to the consolidated financial statements details the subsidiaries included in consolidation and significant information thereon.

b) Joint ventures

"Joint ventures" are deemed to be ventures that are jointly controlled by two or more unrelated companies.

A joint venture is a contractual arrangement whereby two or more companies ("venturers") 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.

The financial statements of multi-group entities are fully consolidated with those of the Parent in compliance with the participation method according to IFRS 11.

The Group develops its activity through its participation in joint ventures in Spain and overseas (different types of joint ventures), which are unincorporated entities without independent legal status, through which a partnership relationship is incorporated in order to develop a concrete service or project. In these cases, in which an individualised control of assets and liabilities is executed, as well as Similarly, interests in Spanish UTEs (unincorporated joint ventures), joint property entities and economic interest groupings were included in the accompanying consolidated financial statements in proportion to the Group's interest in the assets, liabilities, income and expenses arising from the transactions performed by these entities, and reciprocal asset and liability balances and income, expenses and profits or losses not realised with third parties were eliminated.

Assets and liabilities assigned by the Group to jointly controlled operations and the Group's share of the jointly controlled assets are recognised in the consolidated balance sheet classified according to their specific nature. Similarly, the Group's share of the income and expenses of joint ventures is recognised in the consolidated income statement on the basis of the nature of the related items.

Financial information provided by consolidated financial statements of the Group by multi-group companies, in aggregate, at 31 December 2019 and 2018 is as follows:

	Millions of Euros	
	31.12.2019	**31.12.2018**
Non-current assets	4.0	3.2
Current assets	258.0	283.2
Non-current liabilities	10.0	6.3
Current liabilities	258.7	284.6
Total income	202.6	220.6
Total expense	(199.7)	(204.8)

Appendix III to the consolidated financial statements details the joint ventures included in consolidation and significant information thereon.

c) Associates

Associates are companies over which the Parent is in a position to exercise significant influence, but not effective control or joint management. It usually holds -directly or indirectly- 20% or more of the voting power of the investee.

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received there from and other equity eliminations. In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate, less any impairment of the individual investment.

Any excess of the acquisition cost with respect to the portion of the fair values of the identifiable net assets of the associated company attributable to the Group at the acquisition date is recognised as goodwill. Any deficiency in the cost of acquisition with respect to the portion of the fair values of the identifiable net assets of the associated company that the Group owns on the acquisition date is recognised in profit or loss in the acquisition period.

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support.

The financial statements of multi-group entities are accounted through the equity method, SANJOSE Group has followed the consolidation method for "Stakes in joint ventures" established by IAS 11 including the same under "Investments in associates and joint ventures" in the accompanying consolidated balance sheet.

Appendix II to the consolidated financial statements details the associates included in consolidation and significant information thereon.

d) Changes in the scope of consolidation

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

1. Exit of the consolidation perimeter of the subsidiary "Gestión de Servicios de Salud, S.A." as a result of the simultaneous dissolution and liquidation carried out in May 2019. This transaction has not had a significant effect on the accompanying consolidated income statement for year 2019 of the Group.

2. Exit of the consolidation perimeter of the associated "Top Brands, S.A." as a result of the simultaneous dissolution and liquidation carried out in October 2019. This transaction has not had a significant effect on the accompanying consolidated income statement for year 2019 of the Group.

3. During year 2019, the investee "Distrito Castellana Norte, S.A." has agreed on a capital increase for EUR 22,000 thousand. The Group has subscribed and paid up according to its participation percentage the capital increase. Additionally, during year 2019, the Group has formalised a purchase and sale agreement with third parties, for which it has transferred ownership of shares representing 14.46% of the capital of the investee. As of 31 December 2019, the Group holds a 10% stake in the capital of the company, as well as significant influence, to the extent that it maintains representation in its management body (see Note 11).

Main changes in the scope of consolidation in 2018 were as follows:

1. Partial spin-off of the associate "Cresca, S.A.". - On 29 January 2018, the Extraordinary Shareholders' Meeting of the investee company rectified and definitively approved the partial spin-off of the company in favour of its shareholders, having been made public and duly registered on 9 February 2018.

   With the improvement of the spin-off transaction, the Group, as a 50% recipient of the assets and liabilities derived from the spin-off, has obtained control over the agricultural business, based on its percentage of participation, previously carried out by the associate, over which it did not have control. The Group has identified this transaction as a business combination in the terms of IFRS 3. Main changes as a result of this transaction are as follows:

   a) Reduction in the cost for which the Group had recorded its participation in the associate "Cresca, S.A." as of 31 December 2017, amounting to EUR 9,810 thousand (see Note 11)

      In the business combination, the fair value of the consideration corresponds to the interest held to date by the Group in Cresca, SA, for an amount of EUR 18,345 thousand, corresponding to the fair value of 50% of the total net assets of the associate, calculated taking into account the valuation of an independent expert of the net assets delivered in the combination. At the turnover date, the Group's participation in Cresca amounted to EUR 14,918 thousand. The variation with regards to the amount recorded as of 31 December 2017 corresponds, mainly, to the profit/(loss) of the investee and differences of conversion recorded during said period.

   b) The main asset received in the spin-off process corresponds to land for agricultural use, the main business object, with a fair value of EUR 21,745 thousand. Likewise, current assets and liabilities have been received for a net amount of EUR 733 thousand, as well as a financial debt for an amount of EUR 4,133 thousand (eliminated at consolidated level for being a creditor of a Group company), recorded at fair value.

      IFRS 3 requires the Group to recognise the identifiable assets acquired, as well as the liabilities assumed, at their fair value on the date of the takeover (9 February 2018), establishing a measurement period of a maximum of one year during which the acquirer can adjust the provisional amounts recognised in a business combination.

Once the valuation and allocation process has been reviewed, and according to valuation reports from independent third parties, it has been concluded that this effect is focused on the valuation of the lands received in the spin-off process, having recorded a EUR 2,108 thousand increase in the cost, recognising a benefit for said amount, recorded under "Impairment and profit/(loss) from disposal of fixed assets" within the accompanying income statement for year 2018.

c) Arising from this transaction, the Group recorded a EUR 8,402 thousand profit, corresponding to the impact of the fair value adjustment, as well as the recycling of the conversion differences, net of the tax effect. In addition, and in accordance with IAS 28, paragraph 23, and IAS 21, paragraph 48, the Group has recycled translation differences associated to the participation in "Cresca, SA", from equity to the accompanying income statement.as a result of the transaction. A EUR 6,296 thousand profit has been recorded under "Translation differences" in the accompanying income statement for year 2018.

AS from the moment of its acquisition, until 31 December 2018, the unit acquired has contributed the following profit/(loss) to the Group: (i) operating profit/(loss) = EUR -420 thousand; (ii) profit/(loss) for the year = EUR -690 thousand. In the event that the business combination had taken place on 1 January 2018, profit/(loss) contributed would not vary substantially from those indicated in the previous section.

The main asset received in the spin-off process is the investment in lands for agricultural use. In order to determine the fair value of the lands received, an independent expert was provided: Mr. José A. Saldivar Meza, accounting expert, appraiser and surveyor.

Said independent expert has issued a valuation report dated 25 June 2018, following a comparative method in the area of influence of the land subject to valuation, taking as main source of information companies engaged in the sale of rural land. The valuation report of the expert includes habitual conditions in this type of valuations as the fact that the properties meet normal conditions of use and productivity and that they are free of loads that can affect the value. It is estimated that they have no impact on the valuation.

With respect to the remaining assets received and liabilities assumed, fair value coincides with the accounting cost recorded.

2.5 Comparison of information

Information recorded on the consolidated financial statements for year 2018 is provided for comparison purposes only with that provided as of the year ended 31 December 2019.

2.6 Changes in the accounting criteria

Accounting criteria applied during year 2019 is the same as that implemented in year 2018.

During year 2019, no significant changes have been applied compared to those applied in year 2018.

3. Distribution of the Parent's profit

The Directors of the Parent Company will propose the General Shareholders' Meeting the recognition of EUR 53,444 thousand as 2019 profit to offset against "Loss of previous years" and to legal and statutory reserve, as follows:

	Thousands of euros
Distribution base:	
Year profit	53,444
Distribution:	
To legal and statutory reserve	127
To offset loss of previous years	53,317

4. Accounting principles and policies and measurement bases

The accounting principles and policies and measurement bases used in preparing the Group's consolidated financial statements for 2019 were as follows:

4.1 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Any excess of the cost of the investments in the consolidated companies and associates over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

1. If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.

2. If it is attributable to specific intangible assets, recognising it explicitly in the consolidated balance sheet provided that the fair value at the date of acquisition can be measured reliably.

3. The remaining amount is recognised as goodwill, which is allocated to one or more specific cash-generating units.

See Note 8 for details on the allotment of gains on from business of the Group.

Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognised.

Goodwill acquired on or after 01 January 2005 is measured at acquisition cost and that acquired earlier is recognised at the carrying amount at 31 December 2004. In both cases, at the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Impairment or Gains or Losses on Disposals of Non-Current Assets" in the consolidated income statement. Under IAS 36, Impairment of Assets, an impairment loss recognised for goodwill must not be reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising in the acquisition of companies with a functional currency other than the Euro is translated to Euros at the exchange rates prevailing at the date of the consolidated balance sheet.

Negative differences between the cost of equity investments of consolidated and associated entities with respect to the corresponding theoretical-accounting values acquired, adjusted on the date of first consolidation, qualify as negative goodwill and are recorded as follows:

1. If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.

2. The remaining amount is presented under "Other Operating Income" in the consolidated statement for the year in which the share capital of the subsidiary or associate is acquired.

4.2 Other intangible assets

The other intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

In both cases, the consolidated companies recognise any impairment loss on the carrying amount of these assets with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years is similar to those used for property, plant and equipment (see Note 4.4).

Administrative concessions and patents

Administrative concessions are recognised as assets when they have been acquired by the Group for consideration in the case of concessions that can be transferred or for the amount of the expenses incurred to directly obtain the concession from the related public agency.

This item included concessions within CINIIF 12 and that correspond, mainly, to energy and environmental infrastructure investment by subsidiaries of Grupo SANJOSE and "*Project finance*" funding (limited funding applied to projects), either whenever the group or the grantor assume related risks. Cash flows generated by the involved companies and assets act as hedge.

Main features to be taken into consideration are as follows:

- Assets object of concession regime are usually property of the Grantor.

- The Grantor controls or monitors the Concessionaire, as well as funding conditions and terms.

- Concessional Rights imply the monopoly exploitation of a service for a period of time according to concession terms. Upon completion of the concession period, real estate necessary for the provision of services becomes property of the concessional company

- Income derives from the provision of services can be received directly from customers or from the concessional company. Prices for services are usually established by the concessional company.

In general, there are two clearly marked stages, one in which the concessionaire provides construction or restoration services, according to level of the works pursuant to IAS 15 "Income from ordinary activities from contracts with clients for an intangible or financial asset, and a second stage in which maintenance and operation services of said infrastructure are provided in accordance with the given standard.

Intangible assets are recorded whenever risk is assumed by the concessionaire and financial assets are recorded if risk is assumed by the grantor, bearing the concessionaire the right to be paid for provided construction or improvement services. Royalties for awarding of concession regime are also recorded as assets.

The Group amortises these rights on a straight-line basis over the estimated term of the concession.

In the event of non-compliance, leading to the loss of the concession rights, the carrying amount of the concession is written off.

Computer software

Computer software may be contained in a tangible asset or have physical substance and, therefore, incorporate both tangible and intangible elements. These assets are recognised as property, plant and equipment if they constitute an integral part of the related tangible asset, which cannot operate without that specific software.

Computer software is amortised on a straight-line basis over three years from the entry into service of each application.

Computer system maintenance costs are charged to the consolidated income statement for the year in which they are incurred.

Usage rights

The Group classifies as intangible assets the usage rights of the plot of land on which the investee company "Fotovoltaica El Gallo 10, SL" operates and which is amortised on a linear basis, depending on the useful life of said rights, which serve the period of use of the plot of land, which is established in 25 years. The end of the leasing rights will be in 2036.

Likewise, the Group has also included under this item the construction rights of Carlos Cisternas de Calama Hospital, which were acquired during 2016 as part of the acquisition of the company Consorcio Hospital Carlos Cisternas de Calama, S.A., fully amortised as of 31 December 2018.

In both cases, rights have been valued in accordance with the costs incurred into at acquisition.

4.3 Property, plant and equipment and investment property

Property, plant and equipment

Property, plant and equipment for own use is recognised at cost less any accumulated depreciation and any recognised impairment losses.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred.

Borrowing costs are only capitalised when significant investments in qualifying assets are made, which are those that take a substantial period of time to get ready for their intended use (see Note 4.12). Borrowing costs incurred to acquire property, plant and equipment for own use are charged to the consolidated income statement on an accrual basis and are not capitalised.

The Group works on their own assets are entered at the accumulated cost (external costs plus in-house costs), determined on the basis of in-house materials consumption and manufacturing costs, calculated using absorption rates similar to those used for the valuation of inventories

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment depreciation charge are recognised in the consolidated income statement and is based on the application of the following depreciation rates, which are determined on the basis of the average years of estimated useful life of the various assets:

	Percentage
Buildings	2
Technical facilities	10
Machinery	15
Other fixtures, tools and furniture	12-33
Other items of property, plant and equipment	12-33

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

Assets held under finance leases are classified on the basis of their nature and are depreciated over their expected useful lives on the same basis as owned assets.

The consolidated companies assess at each reporting date whether there is any internal or external indication that an asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If so, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life, if the useful life must be re-estimated.

Similarly, if there is an indication of a recovery in the value of an item of property, plant and equipment, the consolidated companies recognise the reversal of the impairment loss recognised in prior years and adjust the future depreciation charges accordingly. Under no circumstances may the reversal of an impairment loss on an asset raise its carrying amount to above that which it would have had had no impairment losses been recognised in prior years.

Facilities and equipment are recorded at their cost price less accumulated depreciation and any impairment loss recognised.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Investment property:

"Investment Property" in the consolidated balance sheet reflects the net values of land, buildings and other structures (whether they are owned by the Group or are being used by the Group under a finance lease) held either to earn rentals or for capital appreciation. At 31 December 2019, assets recognised under "Property Investment " relate mainly to office buildings, hotels, leisure centres, land and parking spaces and the items of property, plant and equipment associated with them, such as machinery and furniture, whether owned by the Group or held under finance lease.

The Group does not take part in the management of the lessee, nor in the risks associated therein. Otherwise, they qualify as tangible fixed assets.

Investment property is presented at acquisition or production cost, where appropriate, pursuant to the applicable legislation. The same measurement basis, depreciation methods, estimated useful lives and recognition criteria are used for investment property (see Note 10).

However, those property investments that meet the criteria to be classified as "Assets held for sale" are measured according to the rules applicable to non-current assets held for sale and discontinued operations.

Borrowing Costs

The accounting treatment of borrowing costs is described in Note 4.12. In 2019 and 2018, the Group has not capitalised borrowing costs under "Property, plant and equipment" and "Investment Property" in the attached consolidated balance sheet.

4.4 Asset impairment

At the end of each year, or whenever it is deemed necessary, the value of assets is analysed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the required write-down (if any). Where an identifiable asset does not generate cash flows independently, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In the case of cash-generating units to which goodwill or intangible assets with an indefinite useful life have been allocated, recoverability is systematically analysed at the end of each reporting period or whenever it is deemed necessary to perform such an analysis on the basis of the existing circumstances.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In calculating the recoverable amount of property, plant and equipment and goodwill, the Group uses value in use in practically all cases.

To estimate value in use, the Group prepares future pre-tax cash flow estimates based on the most recent budgets approved by Group management. These budgets include the best estimates available of income and costs of the cash-generating units based on industry projections, past experience and future expectations.

These projections cover the coming five years and cash flows for the following years are estimated by applying zero growth rates. These cash flows are discounted to present value at a pre-tax rate which reflects the cost of capital of the business and the geographical area in which it is carried on. In order to calculate the rate, the current time value of money and the risk premiums generally used by analysts for the business and the geographical area are taken into account.

In the event that the recoverable amount is lower than the net book value of the asset, the corresponding provision is recorded for impairment loss for the difference under "Impairment and profit/(loss) from disposal of fixed assets" in the consolidated income statement.

With regards to the recoverable value of real estate assets, the Group uses the assessment of independent valuers (see Notes 4.6, 10 and 12).

As of 31 December 2019, and 2018, the Group has contracted the services of "Instituto de Valoradores, SA", issuing a valuation report of the Group's real estate assets (tangible fixed assets, real estate investments and real estate stocks), being its main features the following:

- Date of issuance, 12 February 2020 and 19 February of 2019, respectively.

- The valuation criterion used depends on the nature and situation of each of the real estate assets valued. Specifically:

    - Real estate investments: sale value and rental value in the market are taken as a basis, which consist mainly of capitalising the current and / or potential net income of each property and updating future flows.

- Completed projects: valuation method by comparison (for finished products) and residual static and dynamic methods (basically, for land and plots and ongoing projects). Under the Residual Method, the residual value of property is obtained by discounting the cash flows calculated on the basis of projected expenses and income at the established rate by taking into account the period until these flows are realised. The total cash receipts deemed to have been received prior to the valuation date are added to this amount in order to obtain the total value. The discount rate used is that which represents the average annual return on the project, without taking borrowings into account, that an average developer would obtain from a development similar to that analysed.

This discount rate is calculated by adding the risk premium (determined by evaluating the risk of the development, taking into account the property asset to be constructed, its location, liquidity, construction period and investment required) to the risk-free interest rate. When the determination of the cash flows takes into account borrowings, the aforementioned risk premium is increased in proportion to the percentage of the borrowings (degree of leverage) attributed to the project and the habi1tual interest rates in the mortgage market.

- Land: mainly, purchase-sale transactions that would have occurred in the area, as comparable, are taken as a reference.

In any case, valuation criteria were performed as defined by the Royal Institution of Chartered Surveyors (RICS) and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), which group together international and European asset valuation institutions. For the calculation of the current value, acceptable discount rates are used for a potential investor, reasonable with those applied by the market for properties of similar features, use and location.

During the last few years, there have been no significant changes in the assessment criteria used.

No valuation limitations are contemplated other than those usual in this type of valuation reports.

In accordance with IFRS 13, in relation to the valuation hierarchy, in general, the real estate assets held by the Group are classified under Level 3 During 2019, there were no transfers of assets between the different classification levels.

The fair value of real estate assets depends, among others, on the exchange rate at the valuation date, as well as on the interest rate curve (mainly the Euro and the Argentine peso) At 31 December 2019, changes in the value of financial instruments of the Group due to changes in interest rates is not significant,. However, as a result of the sharp devaluation of the Argentine peso (see Note 2.3), the valuation of the Group's real estate assets in Argentina has been affected: the total amount of the valuation of the Group's real estate assets in Argentina has been reduced during years 2019 and 2018 by EUR 4 million and EUR 14 million, respectively, mainly due to the devaluation of the Argentinean Peso.

4.5 Leases

4.5.1 Finance Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Therefore, finance leases are deemed to be those in which substantially all the risks and rewards relating to the leased asset are transferred to the lessee.

When the consolidated companies act as the lessor of an asset, the aggregate present values of the lease payments receivable from the lessee plus the price of exercising the purchase option are classified as financing provided to third parties for the amount of the Group's net investment in the leases.

In this event, the finance income and charges arising under finance lease agreements are credited and charged, respectively, to the consolidated income statement so as to reflect a constant periodic rate of return over the term of the agreements.

4.5.2 Operating Leases

When the consolidated companies act as the lessor, they present the acquisition cost of the leased asset under "Property, Plant and Equipment". These assets are depreciated using a policy consistent with the lessor's normal depreciation policy for similar items and lease income is recognised in the income statement on a straight-line basis.

When the Group companies act as lessees, as a result of the application of IFRS 16 “Leases”, as of 1 January 2019 all leasing operations (except for certain exceptions for being of a reduced amount or duration) in which The Group acts as a lessee, generate the accounting of an asset for the right of use, registered by nature primarily as a material asset, and as a liability for the future payment obligations incurred into. The liability will be recorded at the current value of the future cash flows of each lease and the asset for an equivalent amount adjusted for any advance payment paid.

A contract contains a lease when the lessor transfers control of an identifiable underlying asset for a certain period of time in exchange for a consideration. An asset is identifiable when it is explicitly specified in the contract or implicitly when it is made available to the client. However, if the supplier has the right to replace the asset during the period of use, that is, when it has alternative assets and can economically benefit from such substitution, the asset is not considered identifiable and therefore the contract will not contain a lease.

Lease payments are discounted using the interest rate implicit in the lease or, when it is not possible to obtain this rate easily, the incremental interest rate of the indebtedness of the Group entity set put in the lease agreement. The lease liability is increased by the accrued financial expenses and decreases by the amount of the lease payments made. The value of the liability is recalculated when changes occur in the terms of the lease, in the valuation of the purchase option, in the amounts expected to be paid under the residual value guarantee or when future lease payments are modified as consequence of changes in the indices or types used for its calculation. The lease period begins when the lessor makes the underlying asset available to the lessee for its use. The lease period used in the valuation is the non-cancellable period of the lease. The early cancellation option maintained only by the lessor is not considered in the determination of the lease period. Therefore, the determination of the lease period requires the application of judgement by the Group's management and has a significant impact on the valuation of the assets by right of use and the liabilities for leasing. In the case of short-term lease contracts and contracts in which the underlying asset is of low value, the Group recognises the lease payments corresponding to these contracts as expenses in a linear manner during the term of the lease.

4.6 Inventories

"Inventories" in the consolidated balance sheet reflects the assets that the consolidated companies:

- Hold for sale in the ordinary course of business.
- Are in the process of constructing or developing for such sale.
- Expect to consume in the production process or in the provision of services.

Inventories are stated at the lower of acquisition or production cost and net realisable value. Cost comprises direct materials and, where applicable, directs labour costs and production overheads, including the costs that have been incurred in bringing the inventories to their present location and condition at the point of sale. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase.

The cost of inventories sold or applied to the production process is calculated using the weighted average method. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Agricultural stocks

Biological assets shall be recorded at their fair value less the estimated costs at the point of sale, as long as it can be reliably determined. For assets lacking prices or securities set by the market and not reasonably reliable, the cost shall be valued according to their cost minus accumulated depreciation and accumulated losses due to impairment.

In any case, for agricultural products, at the time of harvesting or gathering, they shall be valued at their fair value less the estimated costs at the point of sale.

Real estate inventories

Consequently, land and other property held for sale or for inclusion in a property development in the ordinary course of the Group's business and not for capital appreciation or to earn rentals are treated as inventories.

Land is stated at acquisition cost, plus the costs of demolishing buildings and other expenses related to the acquisition (non-recoverable taxes, registration expenses, etc.). The Group does not capitalise the borrowing costs incurred on the loans obtained to finance the purchase of land to the carrying amount thereof during the period between its acquisition and the date on which the construction begins, which is when they are transferred to "Developments under construction".

"Developments under construction" includes the land development costs incurred up to year-end and the costs of construction or acquisition of real estate developments, increased by the expenses directly allocable to them (costs of construction subcontracted to third parties, fees inherent to construction and project management fees), in addition to the reasonable portion of the costs indirectly allocable to the related assets, to the extent that these costs correspond to the development period, and the borrowing costs incurred during the construction period. During years 2019 and 2018, no borrowing costs have been capitalised to "Inventories".

The Group assesses the net realisable value of the inventories at the end of each period and recognises the appropriate loss if the inventories are overstated (see Note 4.4). When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

Further, at 31 December 2019 and 2018, "Inventories" includes advances to suppliers for the purchase of inventories amounting to EUR 18,525 thousand and EUR 15,651 thousand, respectively (see Note 12).

Issuance rights

Issuance rights are recorded in the consolidated balance sheet as of the date of arising rights. They are recorded as follows:

Initial recognition

Issuance rights shall be valued at acquisition price or production cost. In the case of rights available for free or for a price substantially below market value, said rights shall be recorded at acquisition market price thereof at the time of purchase.

Issuance rights arising from the National Allocation plan shall be recorded at the beginning of the natural year.

Subsequent recognition

After their recognition as assets, issuance rights shall be valued at acquisition price or production cost and are not subject to depreciation.

Provisions for their lower value at the end of each year shall be recorded as long as recorded carrying value in book may not be recoverable.

Expenses related to the emission of greenhouse gases accrue as greenhouse gases are rendered. A provision for risks and related costs shall be recorded as liabilities in the consolidated balance sheets until settlement of the same by delivering relevant issuance rights.

4.7 Trade receivables and customer advances

Trade receivables do not earn interest and are recognised at the fair value of the consideration given, reduced by the estimated non-recoverable amounts

The amount of customer advances received prior to the recognition of the sale of the buildings is recognised under "Current Liabilities - Trade and Other Payables" in the consolidated balance sheet (see Note 13.1).

4.8 Financial Instruments

Financial instruments are recognised when the Group becomes an obligated party of the legal contract or business in accordance with its provisions. As of 1 January 2018, the Group classifies its financial assets according to terms under IFRS 9 "Financial Instruments".

The criterion for classifying financial assets will depend both on the way in which an entity manages its financial instruments (its business model) and on the existence and characteristics of the contractual cash flows of financial assets. Based on the foregoing, the asset will be measured at amortised cost, at fair value through changes in other comprehensive income or at fair value with changes in profit or loss, as follows:

- If the objective of the business model is to maintain a financial asset for the purpose of collecting contractual cash flows and, according to the terms of the contract, cash flows are received on specific dates that exclusively constitute principal payments plus interest on said principal, financial assets will be valued at amortised cost.

- If the business model is aimed both at obtaining contractual cash flows and their sale and, according to the terms of the contract, cash flows are received on specific dates that exclusively constitute payments of the principal plus interest on said principal, financial assets will be valued at fair value with changes in other comprehensive income (equity).

Out of these scenarios, the outstanding assets will be valued at fair value with changes in profit or loss. All equity instruments (for example, stocks) are valued by default in this category. This is because their contractual flows do not comply with the characteristic of being only payments of principal and interest. Financial derivatives are also classified as financial assets at fair value through profit or loss, unless they are designated as hedging instruments.

For valuation purposes, financial assets must be classified in one of the following categories, with the accounting policies of each of them being the following:

1. Financial assets at amortised cost: these assets are recorded after their initial recognition at amortised cost according to the effective interest rate method. Said amortised cost will be reduced by any impairment loss. They will be recorded under the consolidated income statement profit for the period when the financial asset is derecognised or has been impaired, or due to exchange differences. Interest calculated using the effective interest method is recognised in the income statement under "financial income".

2. Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss are recognised initially and subsequently at fair value, without including transaction costs, which are charged to the consolidated income statement. Gains or losses arising from changes in fair value are included in the income statement under "Changes in the fair value of financial instruments" in the period in which they originated. Any dividend or interest is also carried to financial profit/(loss).

3. Debt instruments at fair value through profit or loss: They are subsequently accounted for at fair value, recognising the changes in fair value in "Other comprehensive income". Interest income, impairment losses and foreign exchange differences are recognised in the consolidated income statement. When sold or derecognised, the cumulative fair value adjustments recognised in "Other comprehensive income" are included in the consolidated income statement as "other financial income / (expense)".

4. Equity instruments at fair value through profit or loss: Its subsequent measurement is at fair value. Dividends are only taken to profit/(loss), unless said dividends clearly represent a recovery of the cost of the investment. Other losses or gains are carried to "Other comprehensive income" and are never reclassified to profit/(loss).

Impairment of financial assets

The impairment model is applicable to financial assets valued at amortised cost that include the item "Customers and other receivables".

The impairment model is based on a dual valuation approach, under which there will be a provision for impairment based on the expected losses over the next 12 months or based on the expected losses over the entire life of the asset. The fact that determines the passage from the first approach to the second is that there is a significant worsening in the credit quality.

Financial Liabilities

Main financial liabilities held by the Group companies are financial liabilities at maturity that are valued at their amortized cost. Financial liabilities held by the Group companies are classified as:

1. Bank loans and other loans: loans obtained from banks and other lenders are recorded at the amount received, net of the costs incurred in the transaction.

   Subsequently, financial debts are valued at amortised cost. Any difference between the income obtained (net of the transaction costs) and the reimbursement value is recognised to profit/(loss) over the life of the debt according to the effective interest rate method.

   Financial debt is eliminated from the consolidated balance sheet when the obligation specified in the contract has been paid, cancelled or expired. The difference between the carrying amount of a financial liability that has been cancelled or assigned to another item and the consideration paid, including any assigned asset different from the cash or liability assumed, is recognised in the income statement as other financial income or expenses.

   The exchange of debt instruments between the Group and the counterparty or the substantial modifications of the liabilities initially recognised, are accounted for as a cancellation of the original financial liability and the recognition of a new financial liability, provided that the instruments have substantially different conditions. The Group considers that the conditions are substantially different if the present value of the discounted cash flows under the new conditions, including any commission paid net of any commission received, and using the original effective interest rate to make the discount, differs at least at 10 percent of the discounted present value of the cash flows that still remain of the original financial liability.

   If the exchange is recorded as a cancellation of the original financial liability, the costs or fees are recognised in the consolidated income statement forming part of the profit/(loss) of the same. Otherwise, amended cash flows are discounted at the original effective interest rate, recognising any difference with the previous carrying amount in profit or loss. In addition, costs or commissions adjust the carrying amount of the financial liability and are amortised by the amortised cost method during the remaining life of the modified liability.

   The Group recognises the difference between the carrying amount of the financial liability or a part of it that is cancelled or assigned to a third party and the consideration paid, including any assigned asset different from the cash or liability assumed in profit or loss.

2. Trade payables and other payables: payables originated by traffic operations are initially recorded at fair value and, subsequently, are valued at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the obligations they generate have been extinguished.

4.9 Treasury Shares of the Parent

Equity instruments are classified in accordance with the content of the contractual arrangements. Equity instruments issued by the Parent are recognised in consolidated equity at the proceeds received, net of direct issue costs.

Grupo SANJOSE did not hold any treasury shares at 31 December 2019 and 2018. Likewise, no transactions involving treasury shares were carried out during years 2019 and 2018.

4.10 Derivative financial instruments and hedge accounting

The Group contracts OTC derivative financial instruments to secure risks arising from future activities, transactions and cash flows. Mainly, changes in interest rate types. Within the framework of these transactions, the Group contracts financial instruments for economic hedging.

Derivatives are initially recognised at fair value on the date on which the derivative contract is signed and subsequently they are revalued at their fair value at balance sheet date. The accounting for subsequent changes in fair value depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item being hedged.

At the beginning of the hedge relationship, the Group documents the economic relationship between the hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset the changes in the cash flows of the hedging instruments. The Group documents its risk management objective and strategy for undertaking its hedging transactions.

The effective part of the changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The loss or profit related to the ineffective part is recognised immediately as gain or loss under other income or other expenses.

Gains or losses corresponding to the effective portion of the change in the intrinsic value of option contracts are recognised in the cash flow hedge reserve in equity. Changes in the time value of option contracts that are related to the hedged item ("aligned time value") are recognised within other comprehensive income in the costs of the hedge reserve in equity.

When forward contracts are used to hedge forecasted transactions, the Group generally designates only the change in the fair value of the forward contract related to the cash component as the hedging instrument. Gains or losses corresponding to the effective portion of the change in the intrinsic value of option contracts are recognised in the cash flow hedge reserve in equity. Changes in the item in the term of the contract related to the hedged item are recorded under other comprehensive income in the costs of the hedge reserve within equity. In some cases, the gains or losses corresponding to the effective part of the change in the fair value of the full-term contract are recognized in the cash flow hedge reserve in equity.

Cash flow hedges. Profit or loss of the financial instrument is recorded under net equity and is registered at the corresponding income statement in which the element is classified as hedging financial instrument. Yet if the elements do not qualify as financial asset or liability, arising amounts would be recorded as cost of the said assets or liability.

- The accounting of hedges is interrupted when the hedging instrument expires, or is sold, terminated or exercised, or fails to meet the criteria for accounting of hedges. At that time, any cumulative profit or loss, corresponding to the hedging instrument that has been recorded in equity, remains within equity until the anticipated transaction occurs. When the operation that is being hedged is not expected to occur, the accumulated net gains or losses recognised in equity are transferred to the net profit/(loss) for the period.

Derivatives implicit in other financial instruments or in major contracts are recorded separately as derivatives only when their risks and characteristics are not closely related to the main contracts and provided that those principal contracts are not valued at fair value through recognition in the statement of consolidated comprehensive profit/(loss) of changes in fair value.

In the case of the derivative financial instruments arranged by the Group that meet the aforementioned requirements for classification as a cash flow hedge, the changes in the fair value in 2019 were recognised under "Equity - Valuation Adjustments" in the accompanying consolidated balance sheet (see Note 14.6).

Changes in the fair value of the derivative financial instruments arranged by the Group that do not fully meet the aforementioned requirements for classification as a hedge were recognised under "Changes in Fair Value of Financial Instruments" in the consolidated income statement (see Note 17).

To determine the fair value of the interest rate derivatives (IRSs), the Group uses an in-house IRS valuation model where the inputs are the Euribor market curves and long-term swap rates to establish the fair value of the interest rate derivative structures. In order to calculate the fair value of option-based derivatives (collars), the Group uses

Black-Scholes option pricing models and variations thereon, taking as an input the implied volatility in the markets for the corresponding strikes and times to expiry.

IFRS 13, Measurement of Fair Value, became into force on 1 January 2013 and shall be mandatory for financial years commencing upon said date. Its applicability was approved by UE Regulation 1255/2012 as of 11 December, applicable to the Group because the Parent is a listed company.

The new accounting standard IFRS 13 considers credit risk in the measurement of fair value, like they are derivatives instruments. Pursuant to IFRS 13, fair value is defined as the price to be charged for selling an asset or to be paid for transferring a liability at a market transaction at measurement date (for example, starting price) regardless said price has been estimated or corresponds to market conditions.

IFRS 13 indicates that fair value of assets and liabilities shall include credit risk of the entity itself and of its counterparty. This principle affects derivative financial instruments of Grupo SANJOSE.

For calculating fair value of derivative financial instruments, the Group has applied several methods which include current and future exposure, possibility of default and potential loss in the event of default. Consequently, CVA (Credit Value Adjustment) or credit risk of the counterpart and DVA (Debt Value Adjustment) or its own credit risk are defined.

Total exposure of derivatives is determined by the market, taking into consideration interest rate changes, exchange rate changes and any other changes subject to market conditions.

Possibility of default has been based on credit spread of financing of Grupo SANJOSE, verifying it is similar to that of similar companies and therefore it is a market reference.

Further, for the adjustment of credit risk, total exposure of the Company to counterparties has been taken into consideration. In the event of counterparties with credit information. credit spreads are provided by CDS (Credit Default Swaps) listed on the stock exchange; companies lacking credit information use reference information available. At 31 December 2019 and 2018, the Group held interest rate swaps (IRSs and collars) for a total notional amount of EUR 16,003 thousand million and EUR 17,565 million, respectively, with maturity dates in 2020 and 2021. The negative impact on the consolidated net equity of the Group of the changes in fair value resulting from these arrangements at the end of 2019 and 2018 was EUR 80 thousand and EUR 167 thousand, respectively.

4.11 Revenue recognition

Revenue 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:

1. On a general basis, income for sales is generally recognised when goods and ownership have been delivered and transferred. Income from maintenance or operation services is recorded as revenue whenever such services have been effectively provided.

2. Specifically, revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

3. Revenue from completed work or projects (in both the construction and industrial businesses) is recognised using the percentage of completion method, whereby revenue from completed work is recognised by reference to the stage of completion of the contract at year-end. Under this method, revenue is determined on the basis of the percentage of total revenue per the main contract or approved amendments or addenda thereto. This percentage is established on the basis of the proportion that costs incurred for work performed to date bear to the total contract costs.

   Any works performed not included in the main contract, at the request of the client , such as refurbishments, additions and modifications of the work, income is recorded following the same method of that used for the main work, provided it is technically justified and approved, and there is no doubt about its subsequent approval.

Different Group companies with construction or project execution activity are provided with the necessary and sufficient internal control system for the identification and differentiation of the components of total revenue budget (main contract, amendment, complementary and claims) and the approval level (not approved, with technical approval, with technical and economic approval).

The application of this method for the recognition of the outcome of construction contracts is combined with the preparation of a budget for each construction contract detailed by construction unit. This budget is used as a key management tool in order to closely follow up, for each construction unit, any variances between budgeted and actual figures.

Contract costs are recognised on an accrual basis, and costs actually incurred in completed construction units and costs which may be incurred in the future but must be charged to the construction units that have been currently completed are recognised as an expense.

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

In exceptional cases in which it is not possible to estimate the total contract profit, the total contract costs incurred are recognised and reasonably assured sales relating to completed construction work are recognised as contract revenue up to the limit of the aforementioned contract costs incurred.

Income and expense relating to construction services or improvement of infrastructure are recorded in the consolidated financial statements as construction margin.

4. The main activity carried out by the Real Estate Division is the sale of houses and land. Revenue from this activity is recognised when the risks and rewards of ownership of the goods have been transferred to the buyer which usually is the date on which the public deed is executed. In this regard:

   a. Sales of properties and land, and related costs, are recognised in the consolidated income statement when substantially all the risks and rewards of ownership have been transferred, i.e., when the properties are delivered and the sale is executed in a public deed. The deliveries of cash by the customers as payments on account, from the date of the signing of the private agreement to the date on which the sale is executed in a public deed, are recognised under "Trade Payables" on the liability side of the consolidated balance sheet.

   b. The sales of building plots on which the Group has acquired the obligation with the local authorities to carry out urban development work, which affects all the building plots under the urban development plan, and which cannot be considered to be carried out specifically for the owners of the parcels sold, are broken down into two items: the sale of the building plot and the sale of the urban development work associated therewith.

      The revenue relating to the sale of the building plot is recognised when substantially all the risks and rewards of ownership have been transferred, usually when the property is delivered and the sale is executed in a public deed.

      The revenue attributable to the sale of the urban development work (which is determined on the basis of the projected costs of the urban development work as a whole, calculated in proportion to the square metres of the building plot sold with respect to the total square meters of the urban development work plus the estimated profit margin on the sale) is recognised when the urban development work has been substantially completed, at which time a provision is recognised for the estimated costs to be incurred in completing the work.

   c. Rental income is recognised on an accrual basis and incentive-related income and the initial costs of lease agreements are allocated to income on a straight-line basis.

   d. Asset exchange transactions. An asset exchange transaction is an acquisition of property, plant and equipment or intangible assets in exchange for the delivery of other non-monetary assets or of a combination of monetary and non-monetary assets.

      The assets received in an exchange transaction are recognised at their fair value, provided that it can be considered that the exchange has commercial substance and that the fair value of the asset received, or otherwise of the asset given up, can be reliably measured. The fair value of the asset received is taken to be the fair value of the asset given up plus, where applicable, the fair value of any monetary consideration paid in exchange, unless there is clearer evidence of the fair value of the asset received.

Asset exchange transactions that do not meet the above-mentioned requirements, the asset received is recognised at the carrying amount of the asset given up plus the amount of any monetary consideration paid or committed on the acquisition.

Income relating to the derecognition of assets given up in an asset exchange transaction is recognised when substantially all the risks and rewards of ownership of the asset have been transferred to the counterparty in the exchange, with the value assigned to the asset received being recognised as the balancing entry.

Amounts collected or instrumented in notes and bills under contracts executed at the balance sheet date in relation to properties not yet delivered are recognised under "Trade Payables" or "Other Non-Current Liabilities" on the liability side of the accompanying consolidated balance sheet, depending on whether they fall due in less than or more than one year, respectively.

5. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flows over the expected life of the financial asset to that asset's carrying amount.

6. Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

7. Government grants related to property, plant and equipment are recognised in the consolidated balance sheet as deferred income when the Group has satisfied the conditions established for their award and, consequently, there are no reasonable doubts as to their collection. These grants are allocated to income, with a credit to "Other Operating Income" in the consolidated income statement, systematically over the years of useful life of the assets, for which the grants were provided.

   Grants awarded for the purpose of covering or financing expenses incurred by the Group are recognised as income in the periods in which the related expenses are incurred once the conditions have been met.

An expense is recognised in the consolidated income statement when there is a decrease in the future economic benefit related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recording of the increase in a liability or the reduction of an asset.

An expense is recognised immediately when a disposal does not produce future economic benefits nor meets accounting criteria to be recorded as an asset.

Likewise, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee

4.12 Borrowing Costs

Borrowing costs directly attributable to the construction or production of property developments or investment property, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. If borrowings have been obtained specifically for the construction of such assets, the interest and the other capitalised finance charges relate to the actual costs incurred in the year, less the income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets. To the extent that funds have been borrowed generally, the amount of borrowing costs eligible for capitalisation is determined by applying the capitalisation rate that relates to the weighted average of the borrowing costs applicable to the average borrowings outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

However, the capitalisation of borrowing costs is suspended during extended periods in which active development of a qualifying asset is suspended.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred, on an accrual basis, using the effective interest method.

4.13 Currency

The Group's functional currency is the Euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be "foreign currency balances and transactions".

On consolidation, the balances in the financial statements of the consolidated companies with a functional currency other than the Euro are translated to Euros as follows:

1. Assets and liabilities are translated to Euros at the exchange rates prevailing on the balance sheet date.

2. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly.

3. Equity is translated at the historical exchange rates.

4. Any translation differences arising are classified separately in equity. Such translation differences are recognised as income or as expenses in the year in which the foreign operation is realised or disposed of.

Goodwill arising on the acquisition of a foreign company is treated as an asset of the foreign company and is translated at the closing rate. Goodwill adjustments and fair value generated in the acquisition of a foreign entity are considered assets and liabilities of the foreign entity and are converted according to the current rate at closing date.

The detail of the main companies which contribute assets and liabilities denominated in currencies other than the Euro is as follows:

Company	Address	Activity
Constructora San José Cabo Verde, S.A.	Cape Verde	Construction
Branch office of Constructora Udra, Ltda. in Cape Verde	Praia (Cape Verde)	Construction
Constructora San José Argentina, S.A.	Buenos Aires (Argentina)	Construction
Tecnoartel Argentina, S.A.	Buenos Aires (Argentina)	Maintenance and facilities
Carlos Casado, S.A.	Buenos Aires (Argentina)	Agricultural productions
Branch office of Constructora San José in Argentina	Buenos Aires (Argentina)	Construction
Hospes Brasil Participaciones e Empreendimientos Lda.	Brazil	Construction and Real Estate Development
Aprisco Salvador Inv. Hoteleiros e Imobiliários, Ltda.	Brazil	Construction and Real Estate Development
Concesionaria San Jose Tecnocontrol, S.A.	Santiago de Chile (Chile)	Hospital Construction and Management
San José Tecnologías Chile Limitada	Chile	Construction
Tecnocontrol Chile Limitada	Chile	Industrial maintenance
Inversiones San José Chile, Lda.	Santiago de Chile (Chile)	Investment and real estate
Inversiones San José Andina, Ltda.	Santiago de Chile (Chile)	Investment and real estate
San Jose India Infraestructure & Construction Private Limited	New Delhi (India)	Construction
San José Construction Group, Inc	Washington (USA)	Construction
Inmobiliaria 2010, S.A.	Lima (Peru)	Construction and Real Estate
San José Inmobiliaria Perú, S.A.C.	Lima (Peru)	Construction
San José Perú Constructora, S.A.	Lima (Peru)	Construction
Parsipanny Corp. S.A.	Uruguay	Agricultural productions
Rincon S.A.G.	Paraguay	Agricultural productions
Agropecuaria de El Chaco, S.A.	Paraguay	Agricultural productions
Casado Agropecuaria, S.A.	Paraguay	Agricultural productions
Puerta de Segura, S.A.	Uruguay	Industrial, Trade
Branch office of Constructora San José, S.A. in Nepal	Nepal	Construction
Branch office of Constructora San José, S.A. in Timor	Timor	Construction
Branch office of Constructora San José, S.A. in Mexico	Mexico	Construction
Branch office of Constructora San José, S.A. in Peru	Peru	Construction
Branch office of Constructora San José, S.A. in Abu Dhabi	Abu Dhabi	Construction
SJ Contracting, LLC.	Abu Dhabi	Construction
Consorcio Hospital Carlos Cisternas de Calama, S.A.	Chile	Construction
Sociedad Concesionaria Rutas del Loa	Chile	Construction
San José Nuevos Proyectos Salud Limitada	Chile	Construction

None of these countries, with the exception of Argentina (see Note 2.3), are considered to be hyper-inflationary economies as defined by IAS 29.

4.14 Profit (Loss) from operations

"Profit (Loss) from Operations" in the consolidated income statement includes the profits and losses from the Group companies' ordinary operations, excluding the financial loss and the share of results in associates.

4.15 Income tax

The income tax expense of the Spanish companies and the taxes of a similar nature applicable to the consolidated foreign companies are recognised in the consolidated income statement, except when they arise from a transaction whose results are recognised directly in equity, in which case the related tax is also recognised in equity.

The income tax expense represents the sum of the current tax expense and the changes in the deferred tax assets and liabilities recognised (see Note 20).

The difference, if any, between the taxable profit or tax loss and the tax income or expense recognised is treated as a deferred tax asset or liability, as applicable. A deferred tax liability is one that will generate a future obligation for the Group to make a payment to the related tax authorities. A deferred tax asset is one that will generate a right for the Group to a refund or to make a lower payment to the related tax authorities in the future.

The Group's liability for current income tax is calculated using tax rates which have been approved on the balance sheet date.

Tax assets relating to tax credits and tax relief and tax loss carry forwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not deducted for tax purposes in the related tax return until the conditions for doing so established in the related tax regulations are met. The Group considers it probable that they will be deducted in future periods.

Deferred tax assets and liabilities are taxes expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the related tax bases used in the calculation of the taxable profit or tax loss. Deferred tax assets and liabilities are accounted for using the balance sheet liability method and are measured by applying to the related temporary difference or tax asset the tax rate that is expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax liability is recognised for taxable temporary differences arising from investments in subsidiaries and associates and from interests in joint ventures, except when the Group is able to control the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Notwithstanding the foregoing:

1. Deferred tax assets arising from temporary differences, tax credits, tax relief and tax loss carry forwards, if any, are recognised to the extent that it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised; and

2. No deferred tax liabilities are recognised for non-deductible goodwill arising on an acquisition.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Since 1 January 2006, the Parent forms an integral part of the consolidated tax group. At 31 December 2019, the following SANJOSE group companies filed consolidated tax returns, acting "Grupo Empresarial San Jose, S.A." as the head of the consolidated tax group:

Constructora San José, S.A.

Cartuja Inmobiliaria, S.A.U.

Desarrollos Urbanísticos Udra, S.A.U.

Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.

Tecnocontrol Instalaciones, S.L.U.

Tecnocontrol Sistemas de Seguridad, S.A.U.

Tecnocontrol Servicios, S.A.U.

Basket King, S.A.U.

Arserex, S.A.U.

Comercial Udra, S.A.U.

Udramedios, S.A.U.

Cadena de Tiendas, S.A.U.

Trendy King, S.A.U.

Outdoor King, S.A.U.

Athletic King, S.A.U.

Vision King S.A.U.

Running King, S.A.U.

Enerxías Renovables de Galicia, S.A.

Xornal de Galicia, S.A.U.

San José Concesiones y Servicios, S.A.U.

San José Energía y Medioambiente, S.A.U.

Poligeneraciones parc de L´Alba, S.A.

Xornal Galinet, S.A.U.

GSJ Solutions, S.L.U.

Fotovoltaica el Gallo 10, S.L.

Further, as from 1 January 2015, the associate “Erainkuntza Birgaikuntza Artapena, S.L.U.” has become the Parent of a consolidation tax group under the tax regime of the Basque Country, which also includes “Alexín XXI, S.A.U.” within its scope of consolidation:

4.16 Provisions

When preparing its consolidated financial statements, the San Jose Group made a distinction between:

1. Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing; and

2. Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

4.16.1 Provisions for urban development costs

These provisions relate to the estimated costs not yet incurred in the urban development of previously sold plots of land, estimated on the basis of technical and economic studies carried out. The distribution among the various plots of the total costs to be incurred in the urban development work is made in proportion to the square metres of the previously sold plots with respect to the total urban development area.

4.16.2 Provisions for completion of construction projects and warranty costs

Provisions for the completion of construction projects are recognised for the estimated amount required to meet the expenses necessary for the completion of the property developments in progress when these developments have been substantially completed, and the cost thereof is transferred to "Completed Buildings". Provisions for warranty costs required under Spanish regulations governing real estate companies are recognised at the date of sale of the relevant products, based on the best estimate of the expenditure required to settle the Group's liability (see Note 15). However, the Group has taken out insurance policies to cover the potential risks arising from the ten-year warranty.

4.16.3 Litigation and/or claims in process

At the end of 2019 certain litigation and claims were in process against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and the Parent's directors consider that the outcome of litigation and claims will not have a material effect on the consolidated financial statements for the years in which they are settled.

4.17 Termination benefits

Under the legislation in force 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. There are no redundancy plans making it necessary to recognise a provision in this connection.

Also, the Company has recognised sufficient provisions under "Other Current Liabilities" on the liability side of the accompanying consolidated balance sheet at 31 December 2019 to meet the contract termination costs of temporary employees in accordance with legal provisions.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

4.18 Classification of current assets and liabilities

In the consolidated balance sheet, assets and liabilities expected to be recovered, used or settled within twelve months from the balance sheet date are classified as current items, except for inventories, which are presented in full under "Current Assets" in the consolidated balance sheet, since it is expected that they will be realised in the normal course of the building plot and property sale business, and the liabilities associated with inventories (borrowing costs and customer advances), which are presented under "Current Liabilities" in the consolidated balance sheet, regardless of their maturity. Prior to year-end, if a liability does not give the Group an unconditional right to defer the settlement for at least twelve months from the balance sheet date, the liability is classified as a current item.

The Group holds financial liabilities which are classified as current liabilities in the consolidated balance sheet, since they are subject to the financing of current property assets (see Note 16.2).

4.19 Transactions with associates

Grupo San Jos executes all transactions with associates at market price. In addition, transfer prices are borne appropriately, and therefore, Company Directors believe there are any significant risks in this regard for any potential substantial liabilities arising in the future.

4.20 Assets of natural environment

Assets of natural environment are those which are used for the Group's business activity and whose main goal is to minimise environmental impact and protection of the environment, as well as the reduction and elimination of future pollution.

The Groups' business activity, due to its nature, does not have a significant impact on the environment.

4.21 Consolidated cash flow statement:

The following terms are used in the consolidated cash flow statements, which was prepared using the indirect method, with the meanings specified:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

2. Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

5. Earnings per share

5.1 Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group (after tax and minority interests) by the weighted average number of shares outstanding during the year, excluding the average number of treasury shares held in the year. Accordingly:

	Year 2,019	Year 2,018	Changes
Net profit/(loss) for the year attributable to the Parent (thousands of Euros)	162,774	13,198	149,576
Weighted average number of shares (shares)	65,026,083	65,026,083	-
Basic profit/(loss) per share (Euros/Share)	2.50	0.20	2.30

5.2 Diluted earnings per share

There is no potential dilutive effect derived from stock options, warrants, convertible debt or other instruments as of 31 December 2019.

On 31 October 2019, the Group proceeded to fully amortise the syndicated financial debt, the warrants that the Parent Company issued were also cancelled (see Notes 14 and 16.3).

At 31 December 2018, the dilutive effect of warrants issued on earnings per share attributed to the Group corresponding to year 2018 is as follows:

	Year 2,018
Adjusted profit/(loss) for the year attributable to the Parent (thousands of Euros)	15,828
Convertible shares	22,759,129
Total number of shares for calculating	87,785,212
Diluted earnings per share (Euros/Share)	0.18

6. Segment information

6.1 Basis of segmentation

Segment reporting is generally structured on a primary basis by business segment and on a secondary basis by geographical segment.

Primary business segments

The business lines described below were established on the basis of the organisational structure of Constructora San Jose, S.A and Subsidiaries at 2019 year-end, taking into account, on the one hand, the nature of the goods and services offered and, on the other, the customer segments at which they are targeted.

In years 2019 and 2018, Grupo engaged mainly in the following major lines of business, which were the basis for the Group's primary segment reporting:

1. Construction (civil engineering, building construction and industrial works).
2. Property and urban development.
3. Energy activity
4. Concessions and Services.

Likewise, income and expenses that cannot be specifically attributed to any operating line are recorded under "Other".

Secondary geography segments

The Group's operations are located in Spain, the United States, Latin America (Argentina, Peru, Panama, Paraguay, Chile, Brazil, Mexico, Bolivia and Colombia), Africa (Cape Verde, Mozambique and Morocco), Asia (India, UAE, East Timor and Nepal) and other European countries (Portugal, France and Germany).

6.2 Basis and methodology for segment reporting

Segment revenue is revenue that is directly attributable to the segment.

This revenue does not include interest or dividend income or gains arising from sale of investments or redemption or settlement of debts. The Group includes in segment revenue the share of results of associates and joint ventures accounted for using the equity method and the share of the revenue of proportionately consolidated joint ventures.

Segment expense is expense resulting from the segment's operating activities that are directly attributable to the segment. These expenses do not include interest or losses arising from the sale of investments or redemption or settlement of debts, income tax expense or general administrative expenses corresponding to the head office that are not related to the operating activities of the segments. Segment expense includes the share of the expenses of proportionately consolidated joint ventures.

The segment's results are presented before any adjustments relating to the consolidation process, which are included in the "Consolidation Adjustments" column.

Segment assets and liabilities are those directly related to the operations of the segments and include the proportional part relating to joint ventures. Segment liabilities do not include income tax liabilities.

Segment information about these businesses is presented below:

Year 2019:

	Thousands of Euros					
	Construction	**Real estate and property development**	**Energy**	**Concessions and Services**	**Adjustments and other**	**TOTAL**
Net Revenues:						
External sales	862,316	12,778	9,494	49,765	23,896	**958,249**
Inter-segment sales	14,163	-	-	906	(15,069)	-
Net Revenues:	**876,479**	**12,778**	**9,494**	**50,671**	**8,827**	**958,249**
	-	-	-	-	-	-
EBITDA	**39,791**	**1,785**	**3,117**	**2,498**	**4,999**	**52,190**
Amortisation	(7,717)	(418)	(1,133)	(1,161)	(438)	**(10,867)**
Provisions	(11,813)	(6,215)	53	(3)	(78)	**(18,056)**
Impairment and Profit/(Loss) after disposal	1	-	(108)	-	52	**(55)**
PROFIT/(LOSS) FROM OPERATIONS	**20,262**	**(4,848)**	**1,929**	**1,334**	**4,535**	**23,212**
Financial income	57,835	1,682	-	7,660	(27,343)	**39,834**
Financial costs and similar expenses	(11,539)	(1,553)	(436)	(4,158)	(260)	**(17,946)**
Translation differences and other	(9,988)	147,969	1	194	1,051	**139,227**
Adjustment for inflation in hyperinflationary economies	-	(731)	-	-	(3,204)	**(3,935)**
Profit/(loss) from associates	71	(4,104)	-	-	(122)	**(4,155)**
Profit/(Loss) before tax	**56,641**	**138,415**	**1,494**	**5,030**	**(25,343)**	**176,237**

Year 2018:

	Thousands of Euros					
	Construction	**Real estate and property development**	**Energy**	**Concessions and Services.**	**Adjustments and other**	**TOTAL**
Net Revenues:						
External sales	675,961	3,761	9,711	50,875	18,115	**758,423**
Inter-segment sales	9,371	-	-	946	(10,317)	-
	685,332	**3,761**	**9,711**	**51,821**	**7,798**	**758,423**
	-	-	-	-	-	-
EBITDA	**36,695**	**27**	**2,705**	**2,297**	**9,956**	**51,680**
Amortisation	(2,364)	(461)	(1,187)	(813)	(215)	**(5,040)**
Provisions	(7,126)	(199)	46	92	1,604	**(5,583)**
Impairment and Profit/(Loss) after disposal	91	-	(118)	-	1	**(26)**
Effect on the profit/(loss) of negative consolidation diffe	-	-	-	-	2,108	**2,108**
PROFIT/(LOSS) FROM OPERATIONS	**27,296**	**(633)**	**1,446**	**1,576**	**11,346**	**41,031**
Financial income	15,785	1,143	-	10,263	(14,278)	**12,913**
Financial costs and similar expenses	(13,994)	(62)	(532)	(6,467)	(624)	**(21,679)**
Changes in fair value of financial assets	(6,249)	2,072	-	564	4,641	**1,028**
Translation differences and other	13	(3,614)	-	-	(2,784)	**(6,385)**
Profit/(loss) from associates	5,852	(5,217)	-	-	(547)	**88**
Profit/(Loss) before tax	**28,703**	**(6,311)**	**914**	**5,936**	**(2,246)**	**26,996**

Sales between segments take place at market prices and consist mainly in construction, real estate and urban development transactions.

The Group presents its results in accordance with generally accepted accounting standards (see Note 2.1). However, directors believe that certain alternative performance measures (MARs) reflect the true and fair view of its financial information and provide useful additional financial information used in the management of the business and that shall be considered to adequately assess performance of the group.

Among others, the Group identifies EBITDA as MARs, defining it as the gross operating result, calculated from operating income, excluding depreciation, provisions and impairment provided or reverted during the period, as well as the result from disposal of fixed assets.

The first application of IFRS 16 “Leases” as of 1 January 2019 (see Note 2.1), has led to an increase in amortisation expenses for the year for a total amount of EUR 5,729 thousand, positively affecting the quantification of the EBITDA, mainly located in the Construction and Concessions and Services segments, for amounts of EUR 5,215 thousand and EUR 257 thousand, respectively

Information regarding the amount of assets and liabilities contributed to the Group by the defined segments is as follows:

Year 2019:

	Thousands of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services.	Adjustments and other	TOTAL
Balance sheet:						
Non-current assets:						
Intangible assets	1,581	1,601	15,551	1,323	7,505	**27,561**
Property, plant and equipment	19,293	6	9,227	624	47,798	**76,948**
Real estate investments	561	8,979	-	-	2	**9,542**
Deferred tax assets	17,890	1,600	1,611	2,269	11,092	**34,462**
Other	12,022	15,230	3	35,164	9,170	**71,589**
Current assets:						
Inventories	26,860	75,059	-	7	7,953	**109,879**
Receivables	310,457	2,288	1,384	13,804	22,701	**350,634**
Other current assets	3,277	106	44	366	58	**3,851**
Short-term financial investments	25,186	481	105	56,171	818	**82,761**
Cash and cash equivalents	180,206	25,374	3,406	15,509	8,550	**233,045**
Total Assets						
In Spain	268,132	56,082	31,331	10,097	45,794	**411,436**
In foreign countries	329,201	74,642	-	115,140	69,853	**588,836**
Total Assets	**597,333**	**130,724**	**31,331**	**125,237**	**115,647**	**1,000,272**
Non-current liabilities:						
Long-term payables	2,526	89,567	5,620	33,437	1,852	**133,002**
Deferred tax liabilities	6,351	4,754	1,411	10,141	1,604	**24,261**
Other non-current liabilities	26,142	1,340	1,319	4,679	12,158	**45,638**
Current liabilities:						
Short-term debts	17,291	2,955	1,020	32,910	1,775	**55,951**
Trade payables	517,346	4,045	1,448	8,374	8,396	**539,609**
Other current liabilities	26,141	4,428	983	5,563	1,626	**38,741**
Total Liabilities						
In Spain	304,462	91,230	11,801	6,700	22,457	**436,650**
In foreign countries	291,335	15,859	-	88,404	4,954	**400,552**
Total Liabilities	**595,797**	**107,089**	**11,801**	**95,104**	**27,411**	**837,202**
Additions to fixed assets:						
In Spain	7,906	-	428	1,020	28	**9,382**
In foreign countries	8,118	-	-	6	873	**8,392**
	16,024	**-**	**428**	**1,026**	**901**	**17,774**

Year 2018:

	Thousands of Euros					
	Construction	**Real estate and property development**	**Energy**	**Concessions and Services.**	**Adjustments and other**	**TOTAL**
Balance sheet:						
Non-current assets:						
Intangible assets	1,601	1,601	15,710	1,597	7,554	28,063
Property, plant and equipment	14,432	4	9,644	614	46,339	71,033
Real estate investments	581	10,147	-	-	3	10,731
Deferred tax assets	18,837	1,503	2,038	2,267	11,913	36,558
Other	15,838	32,196	3	69,424	10,699	128,160
Current assets:						
Inventories	68,118	39,789	-	810	6,168	114,885
Receivables	234,911	1,858	1,383	12,409	9,304	259,865
Other current assets	5,409	312	44	320	755	6,840
Short-term financial investments	6,611	34	1	49,101	481	56,228
Cash and cash equivalents	215,306	27,662	3,304	24,096	13,066	283,434
Total Assets						
In Spain	254,773	41,182	32,127	10,939	28,079	367,100
In foreign countries	326,871	73,924	-	149,699	78,203	628,697
	581,644	**115,106**	**32,127**	**160,638**	**106,282**	**995,797**
Non-current liabilities:						
Long-term payables	174,882	2,831	6,678	66,554	1,490	252,435
Deferred tax liabilities	5,417	4,875	1,414	10,507	3,422	25,635
Other non-current liabilities	19,145	1,368	1,211	4,803	14,459	40,986
Current liabilities:						
Short-term debts	26,544	3,610	940	32,743	113,312	177,149
Trade payables	444,341	4,905	1,581	7,481	10,760	469,068
Other current liabilities	19,500	5,291	1,071	6,241	4,553	36,656
Total Liabilities						
In Spain	409,240	8,053	12,895	4,987	136,281	571,456
In foreign countries	280,589	14,827	-	123,342	11,715	430,473
	689,829	**22,880**	**12,895**	**128,329**	**147,996**	**1,001,929**
Additions to fixed assets:						
In Spain	905	-	42	4	29	980
In foreign countries	1,809	-	-	13	520	2,342
	2,714	**-**	**42**	**17**	**549**	**3,322**

There are no significant non-operating assets.Of the total amount of the additions of fixed assets during year 2019, an amount of EUR 12,723 thousand refers to the application of IFRS 16 "Leases" (see Note 2.1), mainly located in the "Construction" segment in both Spain and abroad, for amounts of EUR 7,291 thousand and EUR 5,313 thousand, respectively.

Information on secondary segments:

The following table provides breakdown on several consolidated balances of the Group according to geographical distribution of arising entities:

	Thousands of Euros					
	Net Revenue		Total asets		Additions to property, plant and aquipment and investment property	
	2019	2018	2019	2018	2019	2018
Spain	521,532	372,893	411,438	367,100	9,567	980
Portugal	98,936	78,463	48,391	48,946	2,505	73
Cape Verde	56,357	21,138	31,256	24,325	609	32
Argentina	6,637	6,511	30,596	41,412	969	470
Paraguay	5,677	5,720	55,638	50,553	456	340
Bolivia	-	-	7	12	-	-
The United States	-	-	1,557	2,365	70	3
Peru	40,181	16,186	68,343	67,396	464	313
Brazil	-	-	5,257	6,156	-	-
Panama	-	-	50	75	-	-
France	-	-	232	309	-	-
Germany	-	-	32	38	-	-
Chile	59,718	73,584	187,428	216,723	1,179	342
India	10,754	9,416	9,234	7,800	248	3
Abu Dhabi	150,917	166,920	138,969	143,598	1,666	764
Nepal	-	-	3,155	7,986	-	-
Timor	-	3,580	13	4,659	-	-
Morocco	-	-	76	72	-	-
Mozambique	-	-	86	84	-	-
Colombia	-	-	-	4	-	-
Mexico	7,540	3,135	7,886	5,541	41	2
Malta	-	877	628	641	-	-
TOTAL	**958,249**	**758,423**	**1,000,272**	**995,797**	**17,774**	**3,322**

Note 2.3 of the accompanying consolidated Notes includes a list of the main countries where the Group operates in a currency other than the Euro. From total assets at 31 December 2019 and 2018, EUR 539,551 thousand and EUR 578,762 thousand, respectively, correspond to assets in foreign currency. Likewise, from total revenue for years 2019 and 2018 the activity developed in said countries amounts to EUR 337,781 thousand and EUR 306,190 thousand, respectively.

7. Intangible assets

This item includes investments associated to the Group's concessions and licences, for which the Group assumes lawsuit risk.

The detail in the consolidated balance sheets at 31 December 2019 and 2018 is as follows:

Year 2019:

	Thousands of euros				
	Balance at 31/12/2018	Additions / Provisions	Disposals	Exchange rate differences	Balance at 31/12/2019
Concessions	24,084	235	-	-	**24,319**
Patents, licences and trade marks	82	-	(82)	-	-
Other intangible assets	7,441	671	-	(221)	**7,891**
Total expense	**31,607**	**906**	**(82)**	**(221)**	**32,210**
Concessions	(9,658)	(621)	-	-	**(10,279)**
Patents, licences and trade marks	(33)	(11)	44	-	-
Other intangible assets	(3,837)	(699)	-	182	**(4,354)**
Total Accumulated Amortisation	**(13,528)**	**(1,331)**	**44**	**182**	**(14,633)**
Net carrying amount	**18,079**	**(425)**	**(38)**	**(39)**	**17,577**

Year 2018:

	Thousands of Euros					
	Balance at 31/12/2017	Adjustment for inflation at 01.01.2018 (Note 2.3)	Additions / Provisions	Disposals	Exchange rate differences	Balance at 31/12/2018
Concessions	27,042	-	42	(3,000)	-	**24,084**
Patents, licences and trade marks	82	-	-	-	-	**82**
Other intangible assets	7,771	1	-	-	(331)	**7,441**
Total expense	**34,895**	**1**	**42**	**(3,000)**	**(331)**	**31,607**
Concessions	(11,969)	-	(689)	3,000	-	**(9,658)**
Patents, licences and trade marks	(17)	-	(16)	-	-	**(33)**
Other intangible assets	(3,328)	(1)	(698)	-	190	**(3,837)**
Total Accumulated Amortisation	**(15,314)**	**(1)**	**(1,403)**	**3,000**	**190**	**(13,528)**
Net carrying amount	**19,581**	-	**(1,361)**	-	**(141)**	**18,079**

Main additions during year 2019 refer to the rights of use and other expenses incurred into by the Group, mainly the works of the channelling and adjustments made to provide energy supply to new customers that will result in an increase in the flows of cash associated to the concession contracts that the Group currently has.

During 2018, the maintenance and sale of energy concessions referring to the hospital of Torrecardenas has expired. As a result, the Group has proceeded to write off the cost of these concessions, fully amortised.

Additionally, at 31 December 2019, main intangible assets of the Group are as follows:

- Elements of construction and technical installations that constitute the cold & heat polygenaration plant of the company "Poligeneración Parc de l'Alba ST-4, SA", located in the Partial Plan "Directional Centre of Cerdanyola del Valleys "(Barcelona), recorded for a net cost at 31 December 2019 and 2018 of EUR 13,205 thousand and EUR 14,327 thousand, respectively.

  The Group has been granted a loan in the form of project finance, the amount pending repayment at 31 December 2019 amounts to a total of EUR 5,761 thousand (see Note 16.1), the plant acting as a guarantee of the financing received.

- Leasing rights for a period of 25 years, arising from the stake of the Group in "Fotovoltaica el Gallo 10, S.L." referred to the use of land where the PV plant is located are recorded at 31 December 2019 and 2018 for a total amount of EUR 2,184 thousand and EUR 2,316 thousand, respectively.

- Real estate assets associated with the exploitation under concession regime of car parks in the town of Olvera, registered for a net cost at 31 December 2019 and 2018 of EUR 703 thousand and EUR 722 thousand, respectively.

At 31 December 2019 there are no significant investment commitments in intangible assets.

Finance Leases

The Group has financial lease contracts referring mainly to technical facilities and vehicles.

Breakdown at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	31.12.2019	31.12.2018
Term of contract (years)	4	4
Outstanding instalments (Note 16.1):		
Non-current	119	81
Current	59	28

Referred to these contracts, during years 2019 and 2018 the Group has paid rents amounting to EUR 59 thousand and EUR 8 thousand, respectively, including a financial charge in the amounts of EUR 3 thousand and EUR 0.4 thousand.

At year-end 2019 and 2018, total items pending amortisation corresponding to finance leases amounted to EUR 178 thousand and EUR 109 thousand, respectively (see Note 16).

8. Goodwill

The detail of "Goodwill" in the consolidated balance sheet, based on the companies giving rise to the various items, is as follows:

	Thousands of Euros	
	31.12.2019	31.12.2018
Cartuja Inmobiliaria, S.A.U.	600	600
San José Perú Inmobiliaria, S.A.	1,601	1,601
Constructora San José, S.A.	7,662	7,662
Others	121	121
Total	**9,984**	**9,984**

According to the estimates and projections available to the Directors of the Group, the estimated revenue attributable to the Group of these companies adequately supports the carrying amount of goodwill allocated to the relevant registered CGUs. Likewise, the sensitivity of executed impairment tests allows deviations of key hypothesis (increase of sales, operating margin and discount rates) within standardised margin, without identifying impairment.

The most important goodwill is that referring to the associate “Constructora San José, S.A", representing 77% total goodwill of the Group. At 31 December 2019, the key assumptions on which the Group's management has based its cash flow projections for the valuation of the cash generating unit (CGU) representing this society, are as follows:

- Consolidation of economic recovery in the target areas, both domestic and international.
- Diversification of the portfolio at geographical level: consolidation of the increase in the international market in the coming years.
- Sales: total construction revenue is distributed among countries where the Group operates, based on the current activity and contracted portfolio (short and medium term) and the guidelines established in the business plan Group (medium and long term), assuming an average annual growth of total construction activity for the period of [5-10] %.
- For the discount of the projected cash flows a rate based on the weighted average cost of capital (WACC) is calculated. The Group uses a risk-free rate taking as reference the 5-year bond, depending on the location, and a market premium based on recent studies of long-term premiums used by analysts for the business and geographical areas where it operates. At 31 December 2019, the discount rate used by the Group in the UGE of "Constructora San José, S.A." is 4.5%.
- A 0% growth rate envisaged in perpetuity is considered.
- EBITDA margin relatively stable in the short term, standing at levels of 5.0%, increasing in the medium and long term, stabilising at levels of 6.0%
- Potential capital gains from the sale of real estate assets or income and benefits of urban development activity have not been considered in this cash generating unit.

Forecasts used by the Management are in accordance with the Business Plan of Grupo SANJOSE, in accordance with the most recent business projections, which take into account the situation of the contracted portfolio, the historical evolution of the last years, as well as the situation of financial stability that has characterised the Group during the last years and, specially, after the repayment in year 2019 of the syndicated financial debt of the Group (see Note 16).

Likewise, revenue and margin projections have been draft using external resources from recognised international prestige, such as the International Monetary Fund, and information regarding plans for public investment in infrastructure in the coming years of the main countries where the Group operates.

The result of the impairment test of goodwill associated with CGU, conducted by the Group's management team at year-end 2019, shows a significant surplus of the recoverable amount over the carrying amount of the CGU, and basis said calculation in pessimistic scenarios that contemplate a reduction of 3 and 2.5 percentage points in growth and margin for the coming years, respectively, and an increase in the applied discount rate of 0.5 percentage points, without having to record any deterioration.

Further, the Group has recorded under the consolidated balance sheet at 31 December 2019 the following consolidation differences arising from the purchase operations with a position of dominance:

- Derived from the purchase of the group company "Carlos Casado SA" in 2008, and the subsequent domain position, the Group recorded as increased value of land under "Property, plant and equipment" of the consolidated balance sheet the surplus with respect to the price paid compared to the carrying value in books of the purchased stake (price purchase allocation - PPA). At 31 December 2019, the amount recorded amounts to EUR 17,532 thousand.

- During year 2018, the partial spin-off of Cresca was carried out, distributing the business carried out by it, in an equitable manner among the partners (see Note 2.4.d). Said transaction complies with the requirements of IFRS 3 "Business combination", recording the assets received at fair value, having registered a profit for EUR 2,108 thousand under "Impairment and profit/(loss) on the disposal of items of property, plant and equipment in the accompanying consolidated income statement for year 2018, (see Note 22.9).

- The Group also records a PPP, as higher cost of inventories, as a result of the operations related to the takeover of the investee companies, "Zivar, Investimentos Inmobiliarios, SA" amounting to EUR 4,411 thousand. At 31 December 2019, said assets have an associated impairment amounting to EUR 1,416 thousand, respectively.

According to IFRS NIIF 3 "Business Combinations", fair value of purchased assets shall be reviewed up to a year after purchase date. During year 2019, PPP has not been altered in any way.

9. Property, plant and equipment

Changes in 2019 and 2018 under "Property, Plant and Equipment" in the consolidated balance sheet were as follows:

Year 2019:

	Thousands of Euros						
	Balance at 31/12/2018	**IFRS 16 first application effect** (Note 2.1)	**Additions / Provisions**	**Disposals**	**Transfers**	**Exchange rate differences and other**	**Balance at 31/12/2019**
Cost:							
Land and buildings	**59,167**	1,929	3,762	(524)	1,721	(312)	**65,743**
Plant and machinery	**35,233**	4,709	3,968	(3,234)	(97)	(350)	**40,229**
Other items of property, plant and equipment	**31,421**	137	2,062	(429)	89	(13)	**33,267**
Ongoing property, plant and equipment	**340**	-	272	-	(217)	(39)	**356**
Total expense	**126,161**	**6,775**	**10,064**	**(4,187)**	**1,496**	**(714)**	**139,595**
Accumulated amortisation:	-	-	-	-	-	-	-
Land and buildings	**(5,378)**	-	(1,870)	301	(1,494)	279	**(8,162)**
Plant and machinery	**(22,445)**	-	(5,815)	2,287	-	282	**(25,691)**
Other items of property, plant and equipment	**(27,282)**	-	(1,732)	236	(2)	8	**(28,772)**
Total Accumulated Amortisation	**(55,105)**	**-**	**(9,417)**	**2,824**	**(1,496)**	**569**	**(62,625)**
Total Accumulated Impairment (Note 22.9)	**(23)**	-	1	-	-	-	**(22)**
Net carrying amount	**71,033**	**6,775**	**648**	**(1,363)**	**-**	**(145)**	**76,948**

The main change under this item for the first half of year 2019 refers to the application of IFRS 16 as from 1 January 2019, recording an increase under items of property, property, plant and equipment amounting to EUR 6.775 thousand (see Note 2.1). Further, in terms of leasing contracts, year 2019 has recorded the settlement and/or cancellation, as well as new procurement, recording additions and withdrawals in the period amounting to EUR 5,948 thousand and EUR 3,843 thousand, respectively (see Note 22.6).

Outstanding additions for the year correspond mainly to investment in machinery and technical facilities incurred into by the Group for the development of its construction.

Year 2018:

	Thousands of Euros							
	Balance at 31/12/2017	**Adjustment for inflation at 01.01.2018** (Note 2.3)	**Additions / Provisions**	**Disposals**	**Transfers** (Note 8)	**Change in the scope of consolidation**	**Exchange rate differences and other**	**Balance at 31/12/2018**
Cost:								
Land and buildings	**32,735**	14	323	(38)	1	25,744	388	**59,167**
Plant and machinery	**32,558**	65	1,218	(348)	1,293	304	143	**35,233**
Other items of property, plant and equipment	**30,416**	228	1,645	(106)	(961)	97	102	**31,421**
Ongoing property, plant and equipment	**1,470**	-	94	-	(106)	(300)	(818)	**340**
Total expense	**97,179**	**307**	**3,280**	**(492)**	**227**	**25,845**	**(185)**	**126,161**
Accumulated amortisation:								
Land and buildings	**(5,252)**	-	(958)	38	185	-	609	**(5,378)**
Plant and machinery	**(18,660)**	(65)	(1,686)	281	(2,107)	-	(208)	**(22,445)**
Other items of property, plant and equipment	**(27,894)**	(228)	(914)	99	1,702	-	(47)	**(27,282)**
Total Accumulated Amortisation	**(51,806)**	**(293)**	**(3,558)**	**418**	**(220)**	**-**	**354**	**(55,105)**
Total Accumulated Impairment (Note 22.9)	**(24)**	-	(15)	-	-	-	16	**(23)**
Net carrying amount	**45,349**	**14**	**(293)**	**(74)**	**7**	**25,845**	**185**	**71,033**

Additions occurred in year 2018 correspond mainly to investment in machinery and technical facilities incurred into by the Group for the development of construction activity.

Main derecognitions during 2018 refer mainly to already amortised materials and facilities, recording a total net befit of EUR 107 thousand, recorded under "Impairment and disposal of property, plant and equipment" in the accompanying profit and loss account for year 2018 (see Note 22.9).

During the year, mainly as a consequence of the partial spin-off transaction of the investee "Cresca, SA" (see Note 2.4.d), the Group is integrated as the main asset related to the agricultural business received in the spin-off, land, technical facilities and machinery, for a total amount of EUR 25,853 thousand.

At 31 December 2019 and 2018, investment hold in foreign countries by the Group, detailed by associate is as follows:

	Thousands of Euros			
	31/12/2019		**31/12/2018**	
	Cost	**Accum. Amort.**	**Cost**	**Accum. Amort.**
Portugal	4,891	(2,783)	2,388	(2,320)
Argentina	2,455	(858)	1,830	(523)
Paraguay	46,358	(1,941)	44,759	(322)
Cape Verde	4,604	(2,917)	4,000	(2,388)
Chile	2,139	(830)	1,079	(308)
India	326	(96)	92	(43)
Perú	2,907	(1,883)	1,962	(1,498)
Abu Dhabi	5,280	(4,456)	4,321	(3,510)
Nepal	39	(39)	224	(199)
México	53	(26)	11	(4)
Other countries	86	(31)	16	(11)
TOTAL	**69,138**	**(15,860)**	**60,682**	**(11,126)**

"Land and buildings" mainly include a net amount of EUR 44,985 thousand and EUR 44,889 thousand as of 31 December 2019 and 2018, respectively, corresponding to lands of the "Carlos Casado, SA" group, mainly agricultural land in the Paraguayan Chaco. At 31 December 2019 and 2018, the cost of the land upon which property for own use is located amounted to EUR 1.8 million.

At 31 December 2019 there are no properties classified as property, plant and equipment in mortgage guarantee. Fair value of own use buildings at 31 December 2019 and 2018 amounts to EUR 21.3 million and EUR 22.7 million, respectively, according to estimates carried by independent valuers (Savills España, S.A.). Carrying net cost at 31 December 2019 and 2018 amounts to EUR 11.4 million and EUR 9.5 million, respectively.

At 2019 and 2018 year-end, there were fully amortised items in use, with a total cost amounting to EUR 30.1 million and EUR 30.5 million, respectively.

At year-end 2019 the Group does not hold significant investment commitments in property, plant and equipment.

The Group takes out insurance policies to cover the possible risks to which its investment property is subject. The Parent's directors consider that the insurance coverage arranged is sufficient.

10. Investment property:

The detail of "Investment Property" and changes therein in 2019 and 2018 is as follows:

Year 2019:

	Thousands of Euros			
	Balance at 31/12/2018	Additions / Provisions	Exchange rate differences	Balance at 31/12/2019
Cost:				
Land and buildings	**29,285**	-	(1,475)	**27,810**
Plant and machinery	**3,234**	-	(172)	**3,062**
Furniture, tools and other items	**494**	29	(58)	**465**
Total expense	**33,013**	**29**	**(1,705)**	**31,337**
Accumulated amortisation:	-	-	-	-
Buildings	**(18,548)**	(39)	336	**(18,251)**
Technical facilities	**(3,220)**	(51)	214	**(3,057)**
Furniture, tools and other items	**(489)**	(29)	56	**(462)**
Total Accumulated Amortisation	**(22,257)**	**(119)**	**606**	**(21,770)**
Total Accumulated Impairment	**(25)**	-	-	**(25)**
Net carrying amount	**10,731**	**(90)**	**(1,099)**	**9,542**

Year 2018:

	Thousands of Euros				
	Balance at 31/12/2017	Additions / Provisions at 31.12.2018 (Note 2.3)	Transfers	Exchange rate differences	Balance at 31/12/2018
Cost:					
Land and buildings	**4,886**	31,916	-	(7,517)	**29,285**
Plant and machinery	**778**	3,278	-	(822)	**3,234**
Furniture, tools and other items	**88**	541	-	(135)	**494**
Total expense	**5,752**	**35,735**	**-**	**(8,474)**	**33,013**
Accumulated amortisation:					
Buildings	**(1,572)**	(20,812)	(77)	3,913	**(18,548)**
Technical facilities	**(771)**	(3,255)	(2)	808	**(3,220)**
Furniture, tools and other items	**(87)**	(534)	-	132	**(489)**
Total Accumulated Amortisation	**(2,430)**	**(24,601)**	**(79)**	**4,853**	**(22,257)**
Total Accumulated Impairment	**(25)**	-	-	-	**(25)**
Net carrying amount	**3,297**	**11,134**	**(79)**	**(3,621)**	**10,731**

The cost of the investment property at 31 December 2019 and 2018 includes approximately EUR 8.2 million and EUR 8.6 million, relating to the carrying amount of the land relating there to.

Use or nature of the investment property

Substantially all of the Group's investment property relates to properties earmarked for lease, mainly in Argentina. The detail of the use or nature of the Group's investment property devoted to leasing purposes at 31 December 2019 and 2018 is as follows:

	2019		2018	
Lease purpose	Surface for lease (m2)	Percentage	Surface for lease (m2)	Percentage
Adminsitrative buildings	287	0%	287	0%
Shopping Centres	178,288	99%	178,288	99%
Other	1,549	1%	1,549	1%
	180,124	**100%**	**180,124**	**100%**

Mortgaged investment property

At 31 December 2019 and 2018, the Group does not have real estate assets as collateral for mortgage investments.

Income and expenses from rental of investment property

At 31 December 2019 commercial premises, office building and car park spaces had been leased out to third parties under operating leases.

The detail, by maturity, of the lease payments payable to the Group under the operating leases and subleases contracted for by the Group with third parties at 31 December 2019 is as follows:

	Thousands of Euros	
Term	Year 2019	Year 2018
Up to a year	3,251	3,251
From one to five years	4,436	4,436
More than five years	2,195	2,195
	9,882	**9,882**

Calculation has not taken into consideration increase of CPI and, regarding variable rate contracts, amount for year 2019 has been considered. The reduction that occurs in the amount of income for the year 2019 with respect to year 2018, is mainly due to the effect of the devaluation of the Argentine peso.

Total investment property rental income of the Group for years 2019 and 2018 excluding potential costs charged to clients, amounts to EUR 1,724 thousand and EUR 2,812 thousand recorded under "Provision of services" in the accompanying consolidated income statement for year 2019.

Insurance policy

The Group takes out insurance policies to cover the possible risks to which substantially all its inventories are subject. The Parent's Directors consider insurance coverage arranged to be sufficient.

Fair value of the investment property

Each year the Group commissions studies from independent valuers to determine the fair values of its investment property at the balance sheet date. During year 2019, the main variation that has been shown in the fair value of real estate investments is due to the effect of the devaluation of the Argentine peso (see Note 4.4).

In view of the aforementioned valuation report, in 2019 no valuation adjustments of assets registered by the Group as real estate investments was disclosed.

At 31 December 2019 and 2018, the fair value of real estate investments of the Group arising from the above-mentioned studies amounts to EUR 83.7 million and EUR 72.1 million, respectively. Said amount, at 31 December 2019 and 2018, includes EUR 44.3 million and EUR 35.5 million, respectively, corresponding to real estate investments of investees of the Group.

11. Investment in associates and joint ventures

At 31 December 2019 and 2018, this item includes the participation of the Group in associates and joint ventures. The Group's most significant investments in associates were as follows:

	Thousands of Euros	
	31.12.2019	**31.12.2018**
Cresca, S.A	307	25
Pinar de Villanueva, S.L.	498	2,792
Distrito Castellana Norte, S.A. (DCN) (Note 2.4.d.)	14,510	31,299
Panamerican Mall, S.A. (PM)	696	877
CSJ GVK Projects and Technical SS. P.L.	4,284	5,429
Total net	**20,295**	**40,422**

The changes, by company, in "Investments Accounted for Using the Equity Method" in 2019 and 2018 are as follows:

Year 2019:

	Thousands of Euros						
	Balance at 31/12/2018	**Changes scope / Transfers (Note 2.4.d)**	**Profit/(Loss) for the year**	**Additions**	**Dividends received**	**Exchange rate differences**	**Balance at 31/12/2019**
Cresca, S.A.	25	-	293	-	-	(11)	307
Pinar de Villanueva, S.L.	2,792	-	(2,294)	-	-	-	498
Distrito Castellana Norte, S.A.	31,299	(21,110)	(1,060)	5,381	-	-	14,510
Panamerican Mall, S.A.	877	-	(750)	-	-	569	696
CSJ GVK Projects ´n Technical SS. P.L.	5,429	-	(344)	-	-	(801)	4,284
Total	**40,422**	**(21,110)**	**(4,155)**	**5,381**	**-**	**(243)**	**20,295**

Year 2018:

	Thousands of Euros							
	Balance at 31/12/2017	**Adjustment for inflation at 01.01.2018** (Note 2.3)	**Changes scope / Transfers**	**Profit/(Loss) for the year**	**Additions**	**Dividends received**	**Exchange rate differences**	**Balance at 31/12/2018**
Cresca, S.A.	10,360	-	(9,810)	(547)	-	-	22	25
Pinar de Villanueva, S.L.	5,541	-	-	(2,749)	-	-	-	2,792
Distrito Castellana Norte, S.A.	27,797	-	-	(1,122)	4,624	-	-	31,299
Panamerican Mall, S.A.	6,220	(110)	-	(1,346)	-	(1,084)	(2,803)	877
CSJ GVK Projects ´n Technical SS. P.L.	-	-	-	5,852	-	(423)	-	5,429
Total	**49,918**	**(110)**	**(9,810)**	**88**	**4,624**	**(1,507)**	**(2,781)**	**40,422**

The main movement during the year 2019 is the one corresponding to the “Distrito Castellana Norte” participation:

- During the first-half of year, the AGM of the investee “Distrito Castellana Norte, S.A.” has agreed on a capital increase for EUR 22,000 thousand. The Group, through its associate “Desarrollos Urbanísticos Udra, S.A.U.”, has subscribed and paid up the totality of its shares, for a total value of EUR 5,381 thousand.

- On 31 October 2019, the Group has entered into a sales contract with Merlin Properties Socimi, S.A., with the purpose of transferring shares representing 14.46% of the capital of the company “Distrito Castellana, Norte, S.A.”. Grupo SANJOSE, through its investee company “Desarrollos Urbanísticos Udra, S.A.U.” in its capacity as a direct owner of the shares, continues to hold shares representing 10% of the capital of this company, and maintains its significant influence on the investee company while maintaining representation in its management body

The consideration established in said transaction consisted of a cash payment of EUR 168,893 thousand and a loan granted by the buyer to the seller, endorsed by the Parent and its investee “Constructora San José, SA”, for a total amount of EUR 129,109 thousand, resulting in a profit amounting to EUR 147,783 thousand. This loan is divided into two stretches. (i) Tranche A, for an amount of EUR 86,397 thousand, with a single maturity of 20 years and a fixed annual interest rate of 2%, having provided as guarantee the participation of the current 10% held by the Group in the “District Castellana Norte, SA ” and; (ii) Tranche B, for an amount of EUR 42,712 thousand, with the same interest rate as Tranche A and expiring on 2 December 2019, and whose purpose was the constitution of a security deposit in the process of cancellation of working capital financing provided by “Constructora San José, SA” under the syndicated financing contract of December 2014 (see Note 16).

The associate “Desarrollos Urbanísticos Chamartín, S.A.” has as main business activity the urban development of the plat of land comprising the area of the “Extension of the Castellana” in Madrid., at is operation. Since its incorporation on 25 November 1993 up to now, the activity of this company has consisted in the development of any activities necessary for the acquisition of land property of the Administrator of Railway Infrastructures (ADIF) and Renfe-Operadora, for its urban development after its disuse for railway purposes within the real estate plan APR 08.03 and APE 05.27, in the municipal term of Madrid.

“Distrito Castellana Norte, S.A.” submitted a review of the PPRI of APR 08.03, having been approved initially by the Governing Board of the City of Madrid on 19 February 2015. During 2016, the decision of the Board of the City of Madrid, at the proposal of the Municipal Planning Commission, has been released, denying its final approval.

On 30 November 2016, the investee company, together with the city Council of Madrid, the Community of Madrid, the Ministry of Development and other affected operators, agreed on the creation of a mixed commission with the aim of reaching a common agreement for the preparation of a new Internal Reform Partial Plan that includes a new urban framework for the project.

Likewise, during December 2016, the investee has signed an extension of the contract with ADIF, extending the term agreed on the Basic Agreement on 22 January 2015 for the approval of the Internal Reform Partial Plant within the following two years. On 28 December 2018, the agreement between the investee company and ADIF was renewed, by which the PGOU's specific amendment is assumed.

On 27 July 2017, the parties have reached an understanding on the basic guidelines of the future urban planning of the project, thus unblocking the operation.

During year 2018, the City Council of Madrid worked proactively in the main modification of its PGOU: i) On 20 September 2018, the Council of the City Council initially approved the punctual modification of the PGOU; ii) On 5 December 2018, the public information period for the presentation of allegations ended.

During the month of May 2019, the Madrid City Council received the ordinary strategic environmental statement of the Community of Madrid. Once the phase of review of allegations and sector reports has been completed, on 29 July 2019, the Plenary Session of the Madrid City Council provisionally unanimously approved the urban project "Madrid Nuevo Norte", thus closing the last municipal administrative procedure of the planning phase Currently, the project is awaiting final approval from the Community of Madrid.

In spite of a very significant progress, to the extent that the project must receive the definitive approval of the Community of Madrid, the existence of uncertainty in the fair value of the financial participation held by the Group in this company should be noted. However, currently existing expectations are very positive. The Group supports the project as it has been doing since its inception and does not doubt about the recoverability of the amount for which this stake is recorded in its consolidated financial statements. This fact is manifested, among others, to the extent that shareholders have attended the capital increases that have been required in recent years, as well as by the interest of new real estate investors.

Appendix II includes a list of the main ownership interests in associates, detailing name, country and participation percentage. The Group does not consider very relevant the impact on assets, profit or net equity of its participation in these companies. However, next is listed financial information of the main associates of the Group:

At 31 December 2019

	Millions of Euros		
	DCN	**PM**	**GSJ GVK**
Non-current assets	6.3	266.9	-
Current assets	155.2	8.1	25.9
Total Assets	**161.5**	**275.0**	**25.9**
Non-current liabilities	10.2	76.8	-
Current liabilities	6.1	17.0	17.8
Total Liabilities	**16.3**	**93.8**	**17.8**
Income from ordinary activities	0.0	12.4	22.5
Profit/(Loss) from continued operations	(4.9)	11.5	(0.7)
Profit/(Loss) for the year	(4.9)	11.5	(0.7)

At 31 December 2018

	Millions of Euros		
	DCN	**PM**	**Cresca**
Non-current assets	6.3	299.5	-
Current assets	140.7	12	26.4
Total Assets	**147**	**311.5**	**26.4**
Non-current liabilities	11.8	96.8	0.0
Current liabilities	7.3	5.7	15.8
Total Liabilities	**19.1**	**102.5**	**15.8**
Income from ordinary activities	0	14.1	58.8
Profit/(Loss) from continued operations	(4.5)	25.3	11.8
Profit/(Loss) for the year	(4.5)	25.3	11.8

A summary of the financial information of the main investees included within the accounting records of the Group is provided next:

At 31 December 2019

	Millions of Euros		
	DCN	**PM**	**CSJ GVK**
Total net equity	145.2	181.2	8.1
% ownership of Grupo SANJOSE	10.00%	20.00%	50.00%
Net carrying amount of the stake (NCV)	14.5	36.2	4.2
Amendments of the NCV and other	-	(35.5)	-
Cost of the Groups' stake	**14.5**	**0.7**	**4.2**

At 31 December 2018

	Millions of Euros		
	DCN	**PM**	**CSJ GVK**
Total net equity	127.5	209.0	10.6
% ownership of Grupo SANJOSE	24.46%	20.00%	50.00%
Net carrying amount of the stake (NCV)	31.2	41.8	5.4
Amendments of the NCV and other	-	(40.9)	-
Cost of the Groups' stake	**31.2**	**2.8**	**5.4**

The investee "Panamerican Mall, S.A." changed the valuation criteria of its investment assets, adopting the "fair value" criterion. This effect has been reversed prior to their integration in the Group's consolidated financial statements.

12. Inventories

The detail in the consolidated balance sheets at 31 December 2019 and 2018 is as follows:

Year 2019:

	Thousands of Euros					
	Balance at 31/12/2018	**Additions**	**Disposals**	**Transfers**	**Exchange rate differences and other**	**Balance at 31/12/2019**
Acquired property	**8,684**	-	(291)	-	-	**8,393**
Land and plots of land	**64,848**	-	-	(84)	(761)	**64,003**
Goods	**1,626**	4,663	(4,029)	-	-	**2,260**
Raw materials and other supplies	**5,504**	1,068	(2,593)	84	121	**4,184**
Developments under construction	-	-	-	-	-	-
- Short-cycle developments under construction	**21,596**	6,776	(7,545)	(22)	499	**21,304**
Completed construction works	**8,633**	-	(1,056)	22	872	**8,471**
Advances to suppliers	**15,651**	16,906	(14,116)	-	84	**18,525**
Impairment losses on inventories	**(11,657)**	(6,772)	390	(40)	818	**(17,261)**
Total	**114,885**	**22,641**	**(29,240)**	**(40)**	**1,633**	**109,879**

Year 2018:

	Thousands of Euros						
	Balance at 31/12/2017	**Adjustment for inflation al 01.01.2018 (Note 2.3)**	**Additions**	**Disposals**	**Transfers**	**Exchange rate differences and other**	**Balance at 31/12/2018**
Acquired property	**9,723**	-	-	(1,039)	-	-	**8,684**
Land and plots of land	**69,623**	8,926	4,713	(1,848)	(15,342)	(1,224)	**64,848**
Raw materials and other supplies	**5,259**	-	5,243	(2,477)	231	(1,126)	**7,130**
Developments under construction							
- Short-cycle developments under construction	-	-	5,803	(215)	15,420	588	**21,596**
Completed construction works	**9,066**	-	759	(1,037)	417	(572)	**8,633**
Advances to suppliers	**22,842**	203	4,972	(12,875)	-	509	**15,651**
Issuance rights	**(90)**	-	888	(908)	110	-	**-**
Impairment losses on inventories	**(11,719)**	-	(582)	324	13	307	**(11,657)**
Total	**104,704**	**9,129**	**21,796**	**(20,075)**	**849**	**(1,518)**	**114,885**

12.1 Acquired property

Main changes recorded under this item correspond to deed of assignment in payment as collection of default rate. Main assets are the following:

- Car parking spaces, commercial premises and housing units in Legazpi, Madrid.
- Housing units in Promópolis, in Seville
- Car parking spaces and housing units in Puerto Llano, Ciudad Real.
- Car parking spaces and housing units in Mairena de Aljarafe, Seville.

During year 2019, no significant additions took place. During year 2018 the sale of the "Manilva Residencial Pueblo Paloma" development in Malaga, acquired in previous years by the Group in a debt collection operation, was carried out, obtaining profits.

At 31 December 2019 and 2018, certain real estate assets are recorded under "Completed Construction Work" in the accompany consolidated balance sheet for a total net cost amounting to EUR 1,923 thousand and EUR 2,116 thousand, respectively, which act as mortgage hedge for banking borrowings (see Note 16.2).

12.2. Land and plots of land

This account balance corresponds to the acquisition price of several plots of land in their final phase or under urban management at 31 December 2019 basically for residential purposes (even though there are also institutional or industrial plots). The Group has planned to allocate them to direct sale or property development by Group companies.

In the month of June 2018, the Group has signed a purchase agreement for a rustic plot of land located in Herdade da Palheta, in the Concello de Redondo (Portugal), for a cost of EUR 3,585 thousand. This transaction was carried out in the context of a customer debt collection management transaction, and no additional disbursements were planned.

The main change during year 2018, corresponds to the transfer of the land located in the district of Bellavista (Peru) to "works on progress", since construction works of this new Condominium have begun, amounting to EUR 13,736 thousand.

At 31 December 2019, this item includes mainly the following plots of land:

1. Plot of land in La Tablada, Seville, with a total surface of 149,619 sqm.

2. Urban plots of land Las Arenas and RP-9 Jalón industrial, both in Valladolid, with a surface amounting to 68,290 and 6,215 m^2.

3. Two plots of land of 3,965 and 9,532 m^2, La Catalana and Pueblo Mediterráneo, located in Vicalvaro (Madrid) and Manilva (Malaga).

4. A plot of land in Salvador de Bahía, Brazil, devoted to residential purposes, with a total surface amounting to 30.285 m$^{2.}$

5. La Tablada, located in Buenos Aires – Argentina, for residential and commercial purposes, with as total surface amounting to 808,102 sqm and a buildable surface amounting to 1,650,000 sqm.

6. Rustic plot of land in Herdade da Palheta, in the Concello de Redondo (Portugal) of 2,997,750 m^2 of surface.

At 31 December 2019 and 2018, the Group does not hold land as mortgage hedges.

At 31 December 2019, the Group owned land with a total area of 4.783.276 square meters, of which 27% amounting to 1,281,533 square meters are qualified as buildable land. The detail, by location, of the Group's land is as follows:

	Total m^2	
	31.12.2019	**31.12.2018**
Spain	723,140	723,140
Peru	20,000	20,000
Portugal	2,997,750	2,997,750
Argentina	1,012,101	1,012,101
Brazil	30,285	30,285
TOTAL	**4,783,276**	**4,783,276**

12.3 Land purchase commitments

At 31 December 2019 and 2018, the Group had entered into various memorandums of understanding or agreements with purchase options for land totalling approximately EUR 2.4 million, of which the Group had paid EUR 602.5 thousand, amount recognised under "Advance payments to suppliers" in the accompanying consolidated balance sheet. Final purchase price shall depend upon final purpose of the same.

In connection with the advances associated with commitments or promises of sale, the Group has no obligation to buy any of them, may proceed with the execution or reject them at the option of the Group.

The rest of the advances correspond to advances to suppliers associated with the group's construction activity, mainly in Abu Dhabi, Chile for amounts of EUR 11.9 and EUR 0.6 million, respectively.

12.4 Developments under construction

The main element under this item at 31 December 2019 is the urban development "Condominio NUEVAVISTA" in the District of Bellavista, located in Lima, Peru, whose construction began in year 2018 by the company of the Group "San José Inmobiliaria Perú, S.A.C." (company domiciled in Peru), having begun during 2019 the delivery of housing units of the first stages, having low stock in progress whose net cost amounted to EUR 7,545 thousand.

12.5 Completed construction works

The main property developments included under this item refer to not sold items of the following property developments:

- 111 housing units in Larrein" located in Vitoria- Gasteiz property of the Group company "Alexin XXI, S.L.U".

- Items under "Borinbizcarra" and "62 housing units in Mariturri", for "Eraikuntza, Birgaikuntza Artapena, S.L.U." (EBA).

- Promociones Quinta do Moleao (Lagos) of the branch office in Portugal of "Constructora San José, S.A.".

During years 2019 and 2018 there were sales of housing units and garages of the Larrein and Boronbizkarra (Vitoria) developments, whose net cost amounted to EUR 875 thousand and EUR 862 thousand in 2019 and 2018, respectively.

At 31 December 2019 and 2018, certain real estate assets are recorded under "Completed Construction Work" in the accompany consolidated balance sheet for a total net cost amounting to EUR 5,240 thousand and EUR 6,376 thousand, respectively, which act as mortgage hedge for banking borrowings (see Note 16.2).

12.6 Commitments to sell property developments in progress and completed buildings

At 31 December 2019 and 2018, the Group had entered into private agreements and reservation documents for the sale of property developments in progress and completed buildings at that date, for a total amount of EUR 8,797 thousand and EUR 12,535 thousand, for which the Group had received advances from the related customers totalling EUR 4,070 thousand and EUR 3,197 thousand, respectively (see Note 18.2).

12.7 Impairment of inventories

Each year the Group commissions studies from independent valuers to determine the fair values of its investment property at the balance sheet date (see Note 4.4.)

At 31 December 2019 and 2018, the fair value of the Company's inventories based on the aforementioned study amounted to EUR 157.6 thousand and EUR 157.9 million, respectively, recording an impairment in 2019 amounting to EUR 6,382 thousand in 2019 (EUR 349 thousand in 2018) (see Note 22.2).

12.8 Insurance policy

The Group takes out insurance policies to cover the possible risks to which substantially all its inventories are subject. The Parent's Directors consider insurance coverage arranged to be sufficient.

12.9 Issuance rights

"Inventories" includes the greenhouse gas emission rights of the "Poligeneració Parc de l´Alba ST-4, SA" Group company, with the total cost at 31 December 2019 of EUR 473 thousand, being fully allocated to emissions made during the year.

Additionally, as of 31 December 2019, the Group has recorded a short-term provision amounting to EUR 110 thousand, corresponding to the emissions made during year 2019 for which, at that date, it did not have purchased emission rights.

During year 2019, the Group has proceeded to the redemption before the Public Administration of the emission rights corresponding to the CO_2 emissions of year 2018, for a total amount of EUR 448 thousand.

13. Financial Assets

13.1 Trade and other receivables

This item of the accompanying consolidated balance sheet includes the present value of uncollected revenue, measured as indicated in Note 4.7, contributed by the Group's various lines of business and which form the basis of the profit or loss from operations.

The detail of "Trade receivables for sales and services" at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	31.12.2019	**31.12.2018**
Progress billings receivable and trade receivables for sales and provision of services	200,267	171,030
Executed works pending billing (OEPC)	63,931	43,383
Retentions for guarantees	47,876	36,182
Customers, discounted instruments	27,344	13,072
Impairment (Note 15)	(28,474)	(31,725)
Total	**310,944**	**231,942**
Advances (Note 18.2)	(133,817)	(110,536)
Total net accounts receivable	**177,127**	**121,406**

The Group management considers that the carrying amount of trade and other receivables approximates their fair value.

"Amounts to be billed for executed works (OEPC)" includes the work performed during the year but not yet billed to customers, which is recognised as period revenue in accordance with the method of recognition of revenue for completed construction work (completion of the works), based on the percentage of completion method used by the Group detailed in Note 4.11. To the extent that the accounting criterion adopted by the Group for the recording of sales revenue, for the purpose of calculating the degree of progress, takes into account as total revenue budget of the work / project only the justified and technically approved part, and on which there is no doubt about its approval, the amount of the TPRB corresponds entirely to production executed to date associated with properly signed and valid contracts.

At 31 December 2019, the amount of the production carried out in the last months of the year referring to the works of "Improvement of the stretch Checca-Mazocruz", in Peru, stands at EUR 5,564 thousand. During the month of February 2020, the Group has received notification from the client regarding the termination of said contract. It is the intention of the Group to request the initiation of the arbitration procedure provided for in the contract itself (see Note 26). Directors of the Parent Company believe that there is no justified reason for said amount to be certified and finally paid by the customer.

Likewise, and in relation to said contract, at 31 December 2019, “Advances” includes an amount of EUR 4,810 thousand, corresponding to the advance payment for execution of work received from the client.

At the end of 2017, the Group partially registered a claim file amounting to EUR 3,071 thousand. On 1 January 2018, and according to IFRS 15, said amount was adjusted to said amount with a charge to reserves. Eventually, during year 2018, the client proceeded to approve said file.

The current liabilities "Advances" item from the consolidated balance sheet at 31 December 2019 and 2018 include EUR 82,147 thousand and EUR 51,888 thousand corresponding to "Amounts to be billed for work performed", which is recognised as the Group's lowest period revenue in accordance with the method of recognition of revenue based on the percentage of completion method (See Note 18.2).

At 31 December 2019, the Group does not have loans from clients allocated to financial institutions without recourse. At 31 December 2018, the amount of the transfer of loans from clients without recourse to financial institutions amounted to EUR 600 thousand. This amount is fully derived from investments from Constructora San Jose, S.A. in joint ventures (see Appendix III). These transactions bear interest at normal market rates. Group companies continue to manage collection.

Substantially all the risks (bad debts and late payment) and rewards associated with the receivables, as well as control over the receivables, were transferred through the sale of the receivables, since no repurchase agreements have been entered into between the Group companies and the banks that have acquired the assets, and the banks may freely dispose of the acquired assets without the Group companies being able to limit this right in any way. Consequently, the balances receivable relating to the receivables sold under the aforementioned conditions were derecognised.

The Group does not have a significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Breakdown of trade receivables from Public Sector Customer and Private Sector Customers at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	31.12.2019	**31.12.2018**
Public Sector Customers	110,977	91,566
Private Sector Customers	199,967	140,376
	310,944	**231,942**

A high percentage of trade receivables relate to transactions with Public Entities and, mainly, with the State Central Authority. Therefore, the Company considers credit risk is very low. Regarding private sector customers, the Company has strengthened during the last years the risk policy procedure from contracting (valuation and rating of potential customers, payment requirements, etc.) till regular revision and analysis of the global position and individual analysis of most customers. From this analysis late payment and default rate provision is established.

Average collection period for trade receivables is approximately 107 and 112 days for years 2019 and 2018, slighting reduced in 2019.

The Group has a credit risk management department responsible for mainly the following tasks:

- To analyse the creditworthiness of potential customers, and take part in the procurement process.
- To identify the level of commercial risk (credit) assumed with every client.
- To control deviations that may occur in the established limits.
- To manage any collection incidents reported by the Finance Department.

To focus on preventive measures. The aim of the Group is to identify situations of default. Faced with possible situations of default customers, the Risk Department analyses the client. In cases where nothing can be done, the deterioration of the net asset held with such client is suggested. Said analysis is performed on an individual basis.

Proper compliance with the internal risk control process means that the amount of financial assets in arrears at the end of the year 2019 and 2018 is very relevant.

13.2 Cash and cash equivalents

"Cash and Cash Equivalents" includes the Group's cash and short-term deposits with an original maturity of three months or less. Net carrying value is similar to fair value, without restriction on their availability.

Breakdown at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	31.12.2019	**31.12.2018**
Other cash equivalents	71,622	98,555
Cash	394	295
Banks and credit entities	161,029	184,584
Total cash and other cash equivalents	**233,045**	**283,434**

Out of the total balance of this item, EUR 21,923 thousand and EUR 18,708 thousand correspond to joint ventures (see Annex III) for year 2019 and 2018, respectively.

13.3 Other current financial assets

This item includes deposits at banks, short-term deposits and other receivables maturing in over three months.

At 31 December 2019, it mainly includes the following:

- the amounts derived from short-term deposits, amounting to EUR 42,830 thousand and EUR 16,387 thousand, respectively.

- Further, it includes short-term payments to be collected from the Ministry of Public Works of Chile, for the certificates issued by the Group company "Sociedad Concesionaria San Jose-Tecnocontrol, S.A.", for a total value of EUR 36,825 thousand and EUR 37,879 thousand at 31 December 2019 and 31 December 2018 for the construction of the Hospitals of Maipu and La Florida, in Santiago de Chile. During years 2019 and 2018, finance income arising from the update of said items amounting to EUR 1,896 thousand and EUR 2,527 thousand, respectively, were recorded (see Note 22.7).

13.4 Non-current financial assets and loans to related companies

The detail of "Loans to related companies" and "Other financial assets" in the accompanying consolidated balance sheet at 31 December 2019 is as follows:

	Thousands of Euros					
	Other financial assets, with changes in income statment (Note	**Loans to related companies**	**Investments available for sale**	**Investments until maturity**	**Impairment**	**Total**
Balance at 31 December 2017	**49,918**	**455**	**10,315**	**131,629**	**(18,463)**	**173,854**
Adjustment for inflation at 01.01.2018 (Note 2.3)	(110)	-	13	-	-	(97)
Entries or provisions	4,624	-	382	(2,135)	(4,396)	(1,525)
Transfers	(9,810)	-	-	(32,130)	1,678	(40,262)
Translation differences	(2,680)	-	(598)	3,918	356	996
Disposals, withdrawals or redundancies	(1,520)	(455)	(3,159)	(1,732)	2,060	(4,806)
Balance at 31 December 2018	**40,422**	**-**	**6,953**	**99,550**	**(18,765)**	**128,160**
Entries or provisions	5,381	-	(1)	6,429	(1,376)	10,433
Transfers	-	-	793	(40,855)	(205)	(40,267)
Translation differences	(243)	-	(28)	(1,223)	421	(1,073)
Disposals, withdrawals or redundancies	(25,265)	-	(60)	(399)	60	(25,664)
Balance at 31 December 2019	**20,295**	**-**	**7,657**	**63,502**	**(19,865)**	**71,589**

13.4.1 Investments available for sale

This item includes basically representative investments in equity securities of unlisted entities. From total impairment recorded at 31 December 2019 and 2018, EUR 5,328 thousand and EUR 4,963 thousand, respectively, correspond to investments held for sale (see Note 22.11).

Net cost at which interest ownership of the Group is recorded, by the main associates, at 31 December 2019 and 2018, is as follows:

Company	Thousands of Euros	
	31.12.2019	**31.12.2018**
Bodegas Altanza, S.A.	736	994
Oryzon Gernomics, S.A. (*)	844	657
Others	749	1,290
	2,329	**2,941**

(*) company listed in the Stock Exchange Market

13.4.2 Held-for-trading financial assets

This item includes mainly loans and receivables due to certifications issued by "Sociedad Concesionaria San José-Tecnocontrol, S.A.", for a total amount of EUR 35,126 thousand and EUR 69,582 thousand at 31 December 2019 and 2018, respectively, as payment of the execution works of the Hospitals of Maipu and La Florida, in compliance with IFRIC12 for concessions with no demand risk.

The company "Sociedad Concesionaria San José-Tecnocontrol, S.A." has executed the design and construction of both hospitals and is responsible for their operation and maintenance under concession regime for a period of 15 years.

On 10 and 15 November 2013, certifications for the implementation of Maipú and La Florida Hospital, opened on 7 and 28 December 2013 and with a total built surface of nearly 70 thousand sqm each, were received. Eventually, on 13 February 2015, definitive implementation certificates have been issued, expiring any risks from construction stage. The payment of the Chilean Ministry of Public Works is arranged into 8 annual instalments of UF 1.1 million each, having collected instalments on 31 March 2014, 2015, 2016, 2017, 2018 and 2019. The Group records said amount deducting the financial effect of the deferred payment. Changes in this item for years 2019 and 2018 are as follows:

- Short-term transfer of receivables in March 2020 and 2019, respectively, for amounts of EUR 40,196 thousand and EUR 39,622 thousand.

- Increase due to the recognition of financial income derived from the updating of long-term receivables, amounting to EUR 3,441 thousand and EUR 5,110 thousand, respectively (see Note 22.7).

- Record of exchange differences due to fluctuations between the exchange rate of the UF with respect to the euro, insofar as the nominal amount of the collection right is in UF currency, resulting in a reduction of EUR 2,534 thousand and EUR 1,587 thousand in years 2019 and 2018, respectively.

Likewise, this item includes the Group's collection right against customers, derived from long-term debt renegotiation procedures, or due to discrepancies outstanding the resolution in a judicial or arbitration proceeding. Special mention deserves the following:

- Collection right for a total amount of EUR 9,877 thousand and EUR 10,434 thousand, as of 31 December 2019 and 31 December 2018, respectively, against the Chilean Ministry of Public Works, as a result of the termination of the contract and execution of the guarantees at the first request, which it was maintained with the company of the Group "Sociedad Concesionaria San Jose Rutas del Loa, SA", in Chile.

  During year 2019, the variation was due exclusively to the evolution of the exchange rate. In year 2018, to the extent that the resolution expectations were long-term, the Group proceeded to classify it as a greater amount of this item, amounting to EUR 5,766 thousand.

  Based on the analysis of the recoverability of said debt carried out by the Group, the impairment recorded associated with the same at 31 December 2019 and 2018 amounts to EUR 1,803 thousand and EUR 1,905 thousand, respectively. Further, as of 31 December 2019 and 2018, the Group has recorded a provision for possible liabilities that may arise from contract, for EUR 8,745 thousand and EUR 9,238 thousand, respectively (see Note 15).

- Right of collection for a total amount of EUR 13,217 thousand and EUR 13,150 thousand, as of 31 December 2019 and 31 December 2018, respectively, against the Civil Aviation Authority of Nepal (CAAN), as a result of the unilateral termination of the contract by the client and execution of the guarantees at the first request, referred to the construction contract for the improvement of the infrastructures in the Simikhot and Rara airports, in Nepal

  Based on the analysis of the recoverability of said debt carried out by the Group, the impairment recorded associated with the same at 31 December 2019 and 2018 amounts to EUR 11,261 thousand and EUR 10,511 thousand, respectively. Further, as of 31 December 2019 and 2018, the Group has recorded a provision for possible liabilities that may arise from contract, for EUR 1,098 thousand and EUR 1,143 thousand, respectively (see Note 15).

The Group considered that the reasons alleged by the client lacked a legal basis, setting in motion all the mechanisms contemplated in the contract for the effective defence of its interests. Its resolution is not expected in the short-term.

14. Net equity

14.1 Share Capital

At 31 December 2019 and 2018, share capital of the Parent was represented by 65,026,083 shares of EUR 0.03 par value each.

At 20 July 2009, Parent Company shares can be listed on the Continuous Market, with a market value of EUR 12.86 per share. The closing and mean quote for the last quarter of the year has been EUR 6.00 and EUR 6.72 for year 2019 and EUR 4.60 and 4.89 for year 2018, respectively.

At 31 December 2019, the shareholder with a stake exceeding 10% in the share capital of the Parent Company was Mr. Jacinto Rey González, with a direct and effective participation of 24,952% and 48.292%, respectively

On 30 December 2014, the Group has entered into with a majority of the creditor banking entities a novation agreement of its syndicated credit loan in Spain, pursuant to which it commits to issue Warrants for 35% of its social capital, whose execution shall depend on the level of performance of the Group of the amortisation of the participating loan granted as on said date, for a total amount of EUR 100 million (see Note 16.3). Said issuance of *warrants* was agreed by the AGM as its meeting held on 24 June 2015.

On 31 October 2019, the Company has proceeded to fully amortise the syndicated financial debt held up to that time, being the warrants cancelled (see Note 16.3).

14.2 Issuance fee

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

14.3 Legal reserve

Under the Consolidated Spanish Companies Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

In addition, and in compliance with the terms set forth in article 273 section of the Spanish Companies Act and wording of Law 16/2007 of 4 July, on the reform and adjustment of business law, the obligation to provide a restricted reserve equal to 5% of the goodwill registered at year end, with charge to the profit or loss of the year if any, and otherwise with charge to unrestricted reserves.

On 31 December 2019, the legal reserve is up to 762 thousand of euros. The goodwill reserve is unavailable for disposal at this date.

14.4 Restrictions on the distribution of dividends

At 31 December 2019 there are no restrictions on the distribution of dividends.

14.5 Consolidated reserves

Breakdown at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	31.12.2019	**31.12.2018**
Parent reserves	(196,736)	(197,226)
Consolidation reserves	-	-
-From consolidated companies	58,642	47,325
-From companies considered equivalent	1,070	(321)
TOTAL	**(137,024)**	**(150,222)**

The breakdown, by company, of the balance of "Consolidated reserves" in the consolidated balance sheets, after taking into account the effect of consolidation adjustments, is as follows:

Net profit/(loss) for the year attributable to the Parent by Subsidiaries

	Thousands of Euros			
	2019		2018	
	Reserves	Profit/(Loss) for the year	Reserves	Profit/(Loss) for the year
Grupo Empresarial San José, S.A.	(227,357)	23,472	(227,881)	370
SJB Melrose	(5,077)	(10)	(5,822)	14
Constructor subgroup	101,745	141,220	89,306	11,786
Comercial subgroup	8,714	2,582	8,502	1,076
Udra Medios subgroup	(14,469)	(511)	(13,457)	(29)
San José Concessions y Servicios subgroup	3,121	182	2,724	126
San José Energía y Medio Ambiente subgroup	(5,463)	(49)	(4,764)	(288)
Cadena de Tiendas, S.A.U.	637	14	1,489	13
GSJ Solutions, S.L.U.	55	29	2	42
	(138,094)	**166,929**	**(149,901)**	**13,110**

Net profit/(loss) and reserves attributable to the Parent by companies accounted for valued using the equity method:

The breakdown, by company, of the balance of this account in the consolidated balance sheets, after taking into account the effect of the valuation adjustments, and of the translation differences recognised in equity as a result of the valuation process, is as follows:

	Thousands of Euros			
	2019		2018	
Company	Reserves	Profit/(Loss) for the year	Reserves	Profit/(Loss) for the year
Distrito Castellana Norte, S.A.	(1,814)	(1,060)	(3,315)	(1,122)
Panamerian Mall, S.A.	1,212	(750)	3,873	(1,346)
Pinar de Villanueva, S.L.	(3,628)	(2,294)	(879)	(2,749)
Cresca, S.A.	(547)	293	-	(547)
CSJ GVK Projects ´n Technical SS. P.L.	5,847	(344)	-	5,852
	1,070	**(4,155)**	**(321)**	**88**

14.6 Valuation adjustments

"Valuation adjustments" in the consolidated balance sheet includes the net amount of fair value adjustments of certain derivative instruments (see Notes 4.8, 4.10 and 17) due to the application of IAS 32 and 39.

14.7 Treasury Shares of the Parent

At 31 December 2019 and 2018, the Group did not hold any treasury shares.

In year 2019, no transactions with treasury shares took place.

14.8 Minority interests

At 31 December 2019 the of "Minority Interests" and "Profit (Loss) Attributable to Minority Interests" of consolidated companies is as follows:

Entidad	Miles de euros	
	Total intereses minoritarios	**Resultado atribuido a la minoría**
Subgrupo Constructor	25.504	368
Subgrupo Comercial Udra	-	-
Subgrupo Udra Medios	(243)	(16)
Subgrupo San José Energía y Medio Ambiente	1.862	55
	27.123	**407**

Changes under this item during years 2019 and 2018 are as follows:

	Thousands of Euros	
	2019	**2018**
Opening balance	**24,262**	**20,866**
Change in the scope of consolidation (Note 2.4)	99	(126)
Profit/(Loss) for the year	407	4,970
Exchange rate differences	3,401	(1,181)
Dividends	(1,046)	(261)
Adjustments attributable to minority interests and other	-	(6)
Closing balance	**27,123**	**24,262**

14.9 Capital management

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital while maintaining a solid financial position. This policy reconciles the creation of value for the shareholder with access to financial markets at a competitive cost in order to cover both debt refinancing requirements and investment plan financing needs not covered by the funds generated by the business.

As an indicator for capital management, the Directors of the Group consider the level of leverage, taking into account this ratio as the quotient of net financial debt and equity (taking into consideration the participatory loan at 31 December 2018 (see Note 16.3).

At 31 December 2019 and 2018, the amount mentioned is as follows:

	Thousands of Euros	
	31.12.2019	**31.12.2018**
Non-current bank borrowings and other financial liabilities (Note 16)	133,002	252,435
Current bank borrowings and other financial liabilities (Note 16)	55,951	65,759
Other current financial assets (Note 13.3)	(81,632)	(56,228)
Cash and cash equivalents (Note 13.2)	(233,045)	(283,434)
Total net	**(125,724)**	**(21,468)**
Corrected net equity (*)	**163,070**	**105,258**
Leverage (%)	-	-

(*) The Group does not include as bank financial debt that arising from the syndicated loan agreement of "Grupo Empresarial San José, S.A.", amounting to EUR 111,390 thousand at 31 December 2018. Due to its participative nature, the Group considers this amount as equity for management purposes.

The Group presents its results in accordance with generally accepted accounting standards (see Note 2.1). However, directors believe that certain alternative performance measures (MARs) reflect the true and fair view of its financial information and provide useful additional financial information used in the management of the business and that shall be considered to adequately assess performance of the group.

Among other, the Group identifies as MAR the net financial debt (DFN), defining it as the total amount of bank and non-bank financial debt, including financial leasing creditors and the valuation of obligations associated with financial derivative instruments, recorded under "Other current financial assets" and "Cash and cash equivalents" in the current assets of the balance sheet.

14.10 Equity situation of the Parent

At 31 December 2019, the Company records a positive net equity amounting to EUR 14,237 thousand.

15. Provisions

The detail and movement during 2019 and 2018 of the main items under the accompanying consolidated balance sheet of the Group including recorded provisions are as follows:

	Thousands of Euros			
	Operating insolvences (Note 13)	**Other operating provisions**	**Long term provisions**	**Total**
Balance at 31 December 2018	**31,725**	**31,227**	**40,121**	**103,073**
Net impairment	(1,510)	3,690	2,297	4,477
Applications	(993)	(2,197)	(1,332)	(4,522)
Transfers and other	(748)	212	3,688	3,152
Balance at 31 December 2019	**28,474**	**32,932**	**44,774**	**106,180**

Other operating provisions

Current provisions classified under "Short-term provisions" include estimated amounts to face possible business contingencies.

Likewise, the amount of the Group's greenhouse gas emissions during year 2019 is included, for which it does not have emission rights purchased as of 31 December 2019, for an amount of EUR 110 thousand (see Note 12.9).

Non-current provisions

This item mainly includes provisions to cover possible contingencies that may arise in the Group, arising from litigation and court proceedings, mainly as a result of the development of its activity.

It is worth noting the provisions that the Group has recorded in relation to the judicial and / or arbitration proceedings related to construction contracts resolved unilaterally by clients, for a total amount of EUR 9,843 thousand and EUR 10,381 thousand, as of 31 December 2019 and 2018, respectively.

The Directors of the Parent consider that the probability of an outcome of litigation and claims to occur are insignificant to justify the registration of additional provisions. The Directors of the Parent consider that the probability of an outcome of litigation and claims to occur are insignificant to justify the registration of additional provisions. The directors of the different companies within Grupo SANJOSE consider that present provisions are enough to deal with the current processes of litigation and claims or will not have a material effect on the consolidated financial statements.

16. Bank borrowings and debt instruments and other marketable securities

The breakdown of said items in the consolidated balance sheets is as follows:

Year 2019:

	Thousands of Euros		
	Debts and accounts payable	**Derivatives**	**Total**
Non-current financial liabilities:			
Obligations and other securities (Note 16.4)	32,995	-	**32,995**
Bank borrowings (Note 16.1)	5,278	-	**5,278**
Derivatives (Note 17)	-	169	**169**
Other financial liabilities	94,560	-	**94,560**
Total non-current	**132,833**	**169**	**133,002**
Current financial liabilities:			
Obligations and other securities (Note 16.4)	32,653	-	**32,653**
Bank borrowings (Note 16.1)	18,170	-	**18,170**
Derivatives (Note 17)	-	-	-
Other financial liabilities	5,128	-	**5,128**
Total current	**55,951**	-	**55,951**

Year 2018:

	Thousands of Euros		
	Debts and accounts payable	**Derivatives**	**Total**
Non-current financial liabilities:			
Obligations and other securities (Note 16.4)	66,476	-	**66,476**
Bank borrowings (Note 16.1)	180,589	-	**180,589**
Derivatives (Note 17)	-	351	**351**
Other financial liabilities	5,019	-	**5,019**
Total non-current	**252,084**	**351**	**252,435**
Current financial liabilities:			
Obligations and other securities (Note 16.4)	32,714	-	**32,714**
Bank borrowings (Note 16.1)	141,920	-	**141,920**
Derivatives (Note 17)	-	15	**15**
Other financial liabilities	2,500	-	**2,500**
Total current	**177,134**	15	**177,149**

“Other long-term financial liabilities” at 31 December 2019 mainly include the amount of financial debt granted by the company “Merlin Properties Socimi, S.A.” as part of the purchase price paid in the partial sale transaction of the Group's stake in its investee “Distrito Castellana, Norte, S.A.” (See Note 11), for a total amount of EUR 86,690 thousand (EUR 293 thousand are included in this amount, corresponding to accrued financial expenses, pending payment as of 31 December 2019 This is a loan amounting to EUR 86,397 thousand, signed on 31 October 2019, with a single maturity at 20 years and a fixed annual interest rate of 2%, payable at maturity, having provided as a guarantee the 10 % stake owned by the Group in the company “Distrito Castellana Norte, SA”.

Likewise, items “Other long-term financial liabilities” and “Other current financial liabilities” at 31 December, 2019 include an amount of EUR 3,339 thousand and EUR 3,189 thousand, respectively, corresponding to the financial debt recorded by the Group in application of the provisions of IFRS 16 "Leases" (see Notes 2.1 and 22.6). Breakdown by maturity at 31 December 2019 is as follows:

Miles de euros			
Año 2020	**Año 2021**	**Año 2022 y ss.**	**Total**
3,189	3,076	264	**6,529**

The items "Other non-current financial liabilities" and "Other current financial liabilities" include, mainly, EUR 4,534 thousand and EUR 1,941 thousand, respectively, corresponding to debts of companies of the Group with minority shareholders for the for acquisition of property assets. Likewise, it includes real estate liabilities.

The detail of the variation existing in year 2019 in the total amount of financing received is as follows:

	Thousands of Euros							
	31.12.2018	IFRS 16 first application (Note 2.1)	Cash flows	Transfers	Changes in fair value	Changes in the scope	Translation differences	31.12.2019
Non-current financial liabilities:								
Obligations and other securities	**66,476**	-	-	(34,499)	508	-	510	**32,995**
Bank borrowings	**180,589**	-	(168,119)	(8,436)	729	-	515	**5,278**
Derivatives	**351**	-	(202)	-	20	-	-	**169**
Other financial liabilities	**5,019**	3,466	85,750	-	293	-	32	**94,560**
Total non-current	**252,435**	**3,466**	**(82,571)**	**(42,935)**	**1,550**	**-**	**1,057**	**133,002**
Current financial liabilities:								
Obligations and other securities	**32,714**	-	(35,745)	34,499	3,532	-	(2,347)	**32,653**
Bank borrowings	**141,920**	-	(140,629)	8,436	8,443	-	-	**18,170**
Derivatives	**15**	-	(15)	-	-	-	-	**-**
Other financial liabilities	**2,500**	3,309	151	-	123	-	(955)	**5,128**
Total current	**177,149**	**3,309**	**(176,238)**	**42,935**	**12,098**	**-**	**(3,302)**	**55,951**

16.1 Bank borrowings

The breakdown of said items in the consolidated balance sheets is as follows:

	Thousands of Euros	
	31.12.2019	**31.12.2018**
Non-current:		
Finance leasing (Notes 9 and 10)	119	81
Bank loans and credit facilities	5,159	6,306
Syndicated loan “Constructora San José, S.A” (Note 16.3)	-	174,202
Total non-current	**5,278**	**180,589**
Current:		
Finance leasing (Notes 9 and 10)	59	28
Syndicated loan “Grupo Empresarial San José, S.A.” (Note 16.3)	-	111,390
Syndicated loan “Constructora San José, S.A” (Note 16.3)	-	18,273
Payables from discounted notes and bills	13,089	261
Bank loans and credit facilities	1,292	7,436
Total mortgage loans secured by inventories (Notes 12 y 16.2)	3,730	4,532
Total current	**18,170**	**141,920**
TOTAL	**23,448**	**322,509**

All these loans bear interest at a rate tied to EURIBOR plus a market spread.

“Bank loans and credits” under current and non-current liabilities as of 31 December 2019, mainly included an amount of EUR 4,741 thousand and EUR 1,020 thousand, respectively, corresponding to the financing, project finance modality, obtained for the construction, commissioning and operation of the plant and facilities of the company of the Group “Poligeneració Parc de L´Alba ST-4, SA” (see Note 7). Said plant acts as collateral for credit facilities.

During the month of November 2019, the Group has contracted multi-group discount policies, including the main national Group companies, for a total amount of EUR 13,000 thousand, with a 1-year maturity, and at a variable interest rate referenced to the Euribor plus a market differential. At 31 December 2019 the amount made available amounts to EUR 12,957 thousand. Further, through the JVs in which it participates, the Group has additional discount policies, having a balance available at 31 December 2019 for an amount of EUR 132 thousand.

16.2 Mortgage loans

At 31 December 2019, the Group's mortgage loans refer entirely to the financing of real estate inventories: i) Garage spaces and commercial premises in Legazpi (Madrid), and; ii) 111 housing units in Larrein (Vitoria), recorded under the Group's consolidated current assets for a total net cost of EUR 7,163 thousand (see Note 12.1 and 12.5).

As indicated in Note 4.18, all the bank borrowings associated with "Inventories" (regardless of the maturity thereof) are presented in the consolidated balance sheet under "Current Liabilities". Mortgage loans secured by inventories at 31 December 2019 have a long-term maturity and concern entirely on subsidiaries.

These mortgage loans bear annual floating interest at a market rate, which in 2019 ranged from 2.75% to 3%.

The outstanding principal of these loans at 31 December 2019 matures approximately as follows:

Thousands of Euros				
Year 2020	Year 2021	Year 2022	Year 2023 and followings	TOTAL
285	291	298	2.856	**3.730**

16.3 Syndicated financing

The SANJOSE Group concluded in year 2009 the renegotiation of the bank borrowings for a total amount of EUR 2,210 million in order to adapt the related obligations to the new business plan based on the global economic situation and taking into consideration cash requirements set out on Business Plan for 2009-2013, under a framework of stability

On 30 December 2014, Group SANJOSE and its main subsidiaries have entered into a modifying novation agreement for its financial debt with a large majority of its creditor banks, which represent a percentage greater than 75% of the financial liabilities and 80% of collaterals affected by such agreements.

Said agreements have involved the novation of the syndicated credit agreement signed in April 2009, as well as a series of bilateral funding agreements. The terms and conditions of the new financing are detailed pursuant to the following three separate financing agreements:

a) Contract “Constructora San José, S.A.”

Syndicated financing contract assumed by “Constructora San José, S.A.” and divided into several tranches: i) Tranche A: loans amounting to EUR 250 million , and with a five-year maturity that can be extended for one more year, with a progressive repayment schedule, as well as multi-group working capital lines (discount, confirming and guarantees) for a total amount of EUR 417.2 million , and; ii) Tranche B: additional financing line in the case of execution of guarantees amounting to EUR 10 million.

b) Contract “Grupo Empresarial San José, S.A.”:

Pursuant to the modifying novation agreement of the debt of Grupo SANJOSE, the Company assumed a EUR 100 million participating loan on a fixed increasing interest rate, including a variable rate according to the outcome of the Group, with a 5-year bullet maturity.

The part of this contract not attended at maturity shall be converted into shares of Grupo San José with a limit of 35% of total social capital of the company. This transaction has been materialised through the emissions of warrants approved at the Shareholders' Meeting of “Grupo Empresarial San José, S.A” held on 24 June 2015. Said warrants entitle holders the right to subscribe newly issued shares of Grupo San José by offsetting credit claims which were pending repayment at maturity date (including capitalised interest).

At 31 December 2018, the Group has real estate assets amounting to EUR 18,260 thousand, which guarantee the syndicated credit for EUR 34,176 thousand. In addition, it has pledged credit rights that may derive from certain real estate assets, whose net book value is EUR 13,169 thousand at said date.

On 31 October 2019, the Group has fully amortised the syndicated financial debt that was granted, and warrants issued are cancelled.

As of 31 October 2019, the total amount of the loan provision of “Grupo Empresarial San José, S.A.” amounted to EUR 115,196 thousand, having agreed with the creditor financial institutions the full repayment of the loan through the payment of EUR 86,397 thousand, showing a positive result amounting to EUR 28,799 thousand, recorded under "Other financial income “in the accompanying profit and loss account for year 2019 (see Note 22.7).

Likewise, on 31 October 2019, with the syndicated loan total amortization, no related guarantees remained. Nowadays, the Group is proceeding to register the guarantees cancellation.

16.4 Obligations and other securities

On 24 March 2015 the Group issued bond in the capital market of Chile, through its associate “Sociedad Concesionaria San José-Tecnocontrol, S.A.” relying on Banco Itaú Chile as finance advisor. Total emission amounted to EUR 6,302 thousand UF (nearly EUR 223,684 thousand). Said bonds were used for the early repayment of the syndicated loan granted to the Group in Chile in 2011 for the financing of the construction of the hospitals of Maipu and La Florida in Chile.

It is repaid on an annual basis by equal instalments of 1,014 thousand UF, with maturity on 30 June 2021, with an average interest rate amounting to 3.1%. Said transaction had been guaranteed, with an average annual rate of 4.0%. During June 2019, the Company has paid the fourth instalment.

There are no other additional guarantees from said financing transaction.

The outstanding principal of these loans at 31 December 2019 matures approximately as follows:

Thousands of Euros (*)		
Year 2020	**Year 2021**	**Total**
32,653	32,995	**65,648**

(*) Gross amounts prior to deducing borrowing costs, amounting to EUR 720 thousand at 31 December 2019.

17. Derivative Financial Instruments

The Group contracts OTC derivative financial instruments with national and international high credit rating banks.

To determine the fair value of interest rate derivatives (Fixed Rate Swaps or structures with options), the Group uses cash flow discounts based on assumptions established by the Euro interest rate curve according to market conditions at the date of measurement.

At 31 December 2019, derivative financial instruments of Grupo SANJOSE are mainly Interest Rate Swaps and cross-currency swaps.

For determining the fair value of interest rate derivatives and currency swaps, the Group applies an assessment method based on the discount of flows under implicit forward curve rates.

Interest rate derivatives contracted by the Group and effective at 31 December 2019 and 2018, together with their fair values at said date, are the following:

Year 2019:

Company	Financial Instrum.	Maturity	Thousands of Euros		
			Initial par value	Remaining par value at 31.12.2019	Balance at 31.12.2019 (Note 16.1)
Effcient Hedges:					
Trendy King, S.A.U.	CCS-gbp	20/02/2020	179	179	10
Trendy King, S.A.U.	CCS-gbp	04/05/2020	167	167	10
Trendy King, S.A.U.	CCS-gbp	15/09/2020	116	116	1
Poligeneraciò Parc de l´Álba ST-4, S.A.	IR Swap	15/12/2021	15,541	2,451	(169)
TOTAL			**16,003**	**2,913**	**(148)**

Year 2018:

Company	Financial Instrum.	Maturity	Thousands of Euros		
			Initial par value	Remaining par value at 31.12.2018	Balance at 31.12.2018 (Note 16.1)
Effcient Hedges:					
Trendy King, S.A.U.	CCS-usd	15/01/2019	1,428	1,428	56
Trendy King, S.A.U.	CCS-gbp	15/01/2019	204	204	(4)
Trendy King, S.A.U.	CCS-gbp	20/06/2019	263	263	(3)
Trendy King, S.A.U.	CCS-usd	15/01/2019	109	109	(4)
Trendy King, S.A.U.	CCS-usd	15/01/2019	85	85	(3)
Trendy King, S.A.U.	CCS-usd	15/01/2019	17	17	(1)
Trendy King, S.A.U.	CCS-usd	15/01/2019	8	8	-
Poligeneraciò Parc de l´Álba ST-4, S.A.	IR Swap	15/12/2021	15,451	4,046	(351)
TOTAL			**17,565**	**6,160**	**(310)**

Assets and liabilities as hedge financial instruments include the changes in the measurement of fair value of hedge financial instruments. At 31 December 2019, instruments hold by the Group company "Poligeneració Parc De L'Alba, S.A. (ST4)" and the commercial subgroup are Interest Rate Swaps and cross-currency swaps linked to assets and liabilities of the consolidated balance sheet, as well as to potential transactions in compliance with requirements established by IFRS 9 so as to be classified as hedge accounting.

Assets and liabilities as non-hedge financial instruments include the measurement of fair value of non-hedge financial instruments.

The Group records as equity the change in fair value of hedge accounting financial instruments. At 31 December 2019 and 2018 the change in fair value of Derivative Financial Instruments allocated as Hedge Elements for their effective portion accumulated in Equity amounts, in negative, to EUR 79.5 thousand and EUR 167 thousand, respectively

During 2019 and 2018, EUR 194 thousand and EUR 321 thousand before tax have been recycled from Equity to Interests costs as financial liabilities' interests being hedged pursuant to allocated Hedging Relationships were registered.

Classification of financial instruments

Regarding assets and liabilities measured at fair value, the Group follows hierarchy set out by IFRS 13 for their classification pursuant to input used for their measurement and market conditions:

Level 1: inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability.

According to IFRS 13, the hierarchy categorises the inputs used in valuation techniques of assets and liabilities into three levels. (Level 1, Level 2, Level 3). The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs

Derivatives of the Group are classified as Level 2. On a residual basis, as of 31 December 2019, the Group classified as Level 1 the investment made in shares of an investee (see Note 13.4).

No transfers from Level 1 to Level 2 have taken place during year 2019. Neither had taken place inputs or outputs of Level 3 at 31 December 2018.

Sensitivity analysis of interest rate and exchange rate

Changes in the fair value of the interest rate derivatives contracted by the Group depend mainly on the variation of the interest rate curve of the euro currency.

At 31 December 2019, changes in the value of financial instruments of the Group due to changes in interest rates are not significant,

18. 13.1 Trade and other payables

18.1 Trade payables

"Trade and other payables" include mainly the amounts outstanding for trade purchases and any related costs, as well as advances from customers (see Note 18.2).

The Group management considers that the carrying amount of trade and other receivables approximates their fair value.

Information on deferred payments to suppliers. Third supplementary provision. "Information duties" of Act 15/2010 on 5 July.

Regarding information required by the supplementary third provision of Act 15/2010 on 5 July, detailed below is the average payment term to suppliers of the Company during years 2019 and 2018, as well as the balance of payments to suppliers at 31 December 2019 and 2018:

	Year 2019	Year 2018
Average payment term to suppliers (days)	**42**	**44**
Ratio of paid transactions (days)	40	45
Ratio of outstanding transactions (days)	47	43
Total payments made (Thousands of Euros)	515,762	312,698
Total outstanding payments (Thousands of Euros)	199,736	178,678

In accordance with the ICAC Resolution on 29 January 2016, on the information to be incorporated into the financial statements in relation to the average period of payment to suppliers in commercial operations, for the calculation of the average period of payment to suppliers, commercial operations corresponding to the delivery of goods or services accrued during the year have been taken into consideration.

For the sole purpose of giving the information provided in this Resolution, suppliers are considered to be commercial creditors for debts with suppliers of goods or services, included in the “Suppliers” and “Sundry payables” items of the current liabilities of the balance sheet.

The Directors of the Company have not considered the balance of payments made during the year to Group companies domiciled abroad, considering that said balances and transactions are outside the scope of the law.

According to Act 15/2010 as of 5 July, amendment of Act 3/2004 on 29 December on default payment measures, maximum payment time in 2012 is 60 days as from 1 January 2013.

Finance costs arising from such deferment will be assumed by the Group as stated on the agreements reached with suppliers.

A significant part of the Group's transactions is with public sector customers, such as States, Autonomous Communities, City Halls, Local Agencies and other public authorities, which usually pay in longer periods than the established by Law. Due to this, the Group sometimes has payment deadlines which exceed the payment periods set out by law. However, the Group follows the overall practices within the sector, following common sense and not abusing their powers pursuant to Article 3 Act 3/2004.

18.2 Customer advances

This item relates fundamentally to the advances received from the buyers of the properties relating to the developments in progress or advances for the sale of real estate assets.

Real estate advances at 31 December 2019 and 2011 amount to EUR 4,070 thousand and EUR 3.197 thousand, respectively, and relate fundamentally to the advances received from the buyers for the properties relating to the developments in progress or completed developments at year-end, the completion and/or delivery of which are scheduled for subsequent years (see Note 12).

At 31 December 2019 and 2018 this item includes "Amounts Billed in Advance for Construction Work" totalling EUR 82,147 and thousand and EUR 51,888 thousand, respectively, (see Note 13.1) which relates to progress billings issued during the year for construction work yet to be performed and which are not recognised as revenue for the period in accordance with the method of recognition of revenue for completed construction work, based on the percentage of completion method used by the Group, described in Note 4.11.

Advances received from customers are recorded to finance the advancement of the works amounting to EUR 47,600 thousand and EUR 55,451 thousand at 31 December 2019 and 2018.

19. Risk exposure

19.1 Exposure to credit risk

The Group is not exposed to significant credit risk, since its customers and the institutions in which cash placements are made or with which derivatives are arranged are highly solvent entities, in which counterpart risk is not significant.

The Group's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is mainly attributable to trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, estimated by Group management based on past experience and its assessment of the current economic climate. The amount of financial assets recognised in the consolidated financial statements, net of possible impairment losses, represents the Group's maximum exposure to credit risk, excluding guarantees or other credit improvements provided.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparts are banks with high credit ratings assigned by international credit rating agencies.

The Group does not have a significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group, depending on the business sector, took out credit insurance enabling it to reduce commercial credit risk arising from transactions with debtors.

The Group monitors credit management and has specific procedures in place in this connection, setting terms and conditions for the acceptance of orders and regularly monitoring orders.

19.2 Exposure to interest rate risk

Interest rate risks arises from changes in the future cash flows from variable rate borrowings (or with current maturity) as a result of changes in market interest rates.

The objective of interest rate risk management is to mitigate the impact on borrowing costs arising from fluctuations in interest rates. Financial derivatives which guarantee fixed interest rates or rates with caps and floors are for a substantial portion of the borrowings that may be affected by this risk. (see Notes 16 and 17).

The sensitivity of profit and equity of the Group to changes in the interest rate at 31 December 2019, considering the existing hedging instruments and financing fixed rate is as follows (considering fluctuations of fifty basic points in applicable interest rates):

	Variation scenarios	
(in Millions of Euros)	**- 50 bp**	**+ 50 bp**
Impact on the total profit/(loss) for the year	0.1	(0.1)
Impact on Equity	(0.1)	0.1

19.3 Exposure to exchange rate risk

The policy of the Group is to use its own currency for activity developed abroad. However, whenever this may not be possible, the Group hedges exchange rate risk with financial derivatives.

Its foreign currency risk exposure relates to its investments in the companies detailed in Note 4.13, and which are financed in local currency.

Exchange rate and equity sensitivity at 31 December 2015, considering the existing hedging instruments and a fixed interest rate, is as follows (considering fluctuations of five percentual points in applicable interest rates):

(in Millions of Euros)		Impact on the profit/(loss) for the year		Impact on Equity	
Country	**Currency**	**-5%**	**5%**	**-5%**	**5%**
Chile	CLP	0.3	(0.3)	2.5	(2.8)
Argentina	ARS	(0.4)	0.4	(3.3)	3.6
Mexico	MEX	0.1	(0.1)	(0.3)	0.3
Peru	PEN	(0.2)	0.2	(1.9)	2.2
Abu Dhabi	AED	(0.3)	0.4	-	-
TOTAL		**(0.5)**	**0.6**	**(8.0)**	**8.9**

19.4 Exposure to liquidity risk

The Group pursues the prudent management of the liquidity risk based on the maintenance of sufficient cash and marketable securities, availability of financing through s sufficient level of committed credit facilities and sufficient capacity to settle market positions. The Group calculates its cash requirements through a 12-month cash budget.

The detail of payment obligations derived from the Group's financial liabilities as of 31 December 2019, based on their maturity, using undiscounted amounts, is as follows:

	Thousands of Euros (*)				
	Year 2019	**Year 2020**	**Year 2021**	**Year 2022 and followings**	**Total**
Obligations and other securities	35,279	34,315	-	-	**69,594**
Bank borrowings	1,529	1,567	1,605	5,532	**10,233**
Finance leasing	29	41	42	-	**112**
Other financial liabilities	1,650	3,478	-	86,397	**91,525**
Total financial debt	**38,487**	**39,401**	**1,647**	**91,929**	**171,464**
Derivatives	1,226	1,226	-	-	**2,452**
Debts with related entities	-	-	-	-	-
Total	**39,713**	**40,627**	**1,647**	**91,929**	**173,916**

At 31 December 2019 and 2018, the Group records a positive working capital amounting to EUR 145.9 million and EUR 38.4 million, what guarantees its feasibility regarding all current financial liabilities included within the accompanying consolidated balance sheet.

20. Taxation

The Group companies file individual tax returns in accordance with the tax legislation in force in each country. With regard to Spain, the San Jose Group, composed of Grupo Empresarial San Jose, S.A. as the Parent and all the Spanish subsidiaries in which it holds a direct or indirect ownership interest of at least 75%, files income tax statements under the special taxation regime with number 002/06 (See Note 4.15).

For each of the consolidated companies, income tax is calculated on the basis of the accounting profit or loss determined by application of generally accepted accounting principles, which does not necessarily coincide with the taxable profit or tax loss.

At 31 December 2019, the following SANJOSE group companies filed consolidated tax returns, acting "Grupo Empresarial San Jose, S.A." as the head of the consolidated tax group:

Constructora San José, S.A.

Cartuja Inmobiliaria, S.A.U.

Desarrollos Urbanísticos Udra, S.A.U.

Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.

San José Concesiones y Servicios, S.A.U.

Tecnocontrol Instalaciones, S.L.U.

Tecnocontrol Sistemas de Seguridad, S.A.U.

Tecnocontrol Servicios, S.A.U.

Comercial Udra, S.A.U.

Basket King, S.A.U.

Arserex, S.A.U.

Trendy King, S.A.U.

Outdoor King, S.A.U.

Athletic King, S.A.U.

Vision King S.A.U.

Running King, S.A.U.

Udramedios, S.A.U.

Xornal de Galicia, S.A.U.

Xornal Galinet, S.A.U.

San José Energía y Medioambiente, S.A.U.

Poligeneració Parc de L´Alba ST-4, S.A.

Enerxías Renovables de Galicia, S.A.

Cadena de Tiendas, S.A.U.

GSJ Solutions, S.L.U.

Fotovoltaica el Gallo 10, S.L.

Further, as from 1 January 2015, the associate “EBA, SL.” has become the Parent of a consolidation tax group under the tax regime of the Basque Country, which also includes the following company within its scope of consolidation: Alexín XXI, S.A.U.

20.1 Years open for review by the tax authorities

On 16 May 2018, a review by the Tax Agency for VAT and withholdings for the periods between April 2014 and December 2017 of the companies of “Grupo Empresarial San José, SA" and "Constructora San José, SA" and on Income Tax on Companies of Tax Consolidation Group for years 2013 to 2017, both inclusive, was started.

Except for these companies and periods, the other Group companies have the last four years open for review for all the main taxes applicable to them.

With regard to corporation tax, according to the new regulations the right of the Spanish administration to initiate the verification procedure of the paid, offset or outstanding quotas or any deductions applied or to be applied in future is extended to ten years as from the day following that on which the statutory deadline for filing them or for the year or taxable period in which the right was generated to offset such quotas or apply such deductions, being therefore only subject to review deductions and tax losses generated since 2009.

With respect to the other subsidiaries that are either not domiciled in Spain or do not form part of the consolidated tax group, the years open for review are in accordance with the maximum periods established in the legislation applicable in each country of residence, existing years open for review in Chile on some companies of the Group in said country. Tax inspections have not been started in the outstanding countries during year 2019.

Pursuant to available information, the Parent's Directors consider that no additional material liabilities will arise as a result of future audits of the years open for review.

20.2 Income tax

Income tax is calculated for each unit integrating the Group, in compliance with tax regulations for each country. Applicable tax rates for each country where the Group operates are as follows:

Country	Applicable tax rate
Spain	25%
Peru	29.5%
Cape Verde	25.5%
Portugal	21%
Chile	25%
Mexico	30%
India	34.6%
Abu Dhabi	0%
Malta	35%
Argentina	30%

The balance of "Income Tax" in the accompanying consolidated income statement for 2019 and 2018 was determined as follows:

	Thousands of Euros	
	2019	2018
Profit/(Loss) before tax	**176,237**	**26,996**
Increases at individual companies	38,669	18,354
Decreases at individual companies	(215,433)	(17,476)
Elimination trade consolidation	43,829	(5,372)
Non recorded losses tax credit	8,182	12,149
Adjustment for inflation in hyperinflationary economies	3,312	6,385
Equity method	1,074	(88)
Offset of prior years' tax losses	(955)	(124)
Taxable profit	**54,915**	**40,824**
Less taxable profit of companies not resident in Spain	(11,246)	(25,495)
Less taxable profit excluded from accounting records	-	-
Tax loss of consolidated group resident in Spain	**43,669**	**15,329**
Gross tax payable	**10,917**	**3,832**
Plus-deductions	(689)	(1,537)
Accrued tax expense	**10,228**	**2,295**
Regularisation previous year and change of tax rate	5,159	839
Adjustment for inflation in hyperinflationary economies	-	1,772
Non resident tax expense	(2,331)	3,922
Tax expense	**13,056**	**8,828**

Royal Decree Law 3/2016 on 2 December 2016, approving tax measures, introduces significant limitations in fiscal legislation regarding the ability of large companies to offset the negative tax bases that could have been generated in previous years, as well as the application of deductions.

The impact of this regulatory change in the Group's consolidated financial statements as of 31 December 2019 has been negligible

20.3 Tax loss carry forwards

At 31 December 2019 total tax loss carry forwards pending Offset amounts to EUR 689,040 thousand (EUR 582,399 thousand in 2018). The Group records under “Deferred tax assets” in the accompanying consolidated balance sheet at 31 December 2019 a tax credit arising from said tax loss carry forwards amounting to EUR 14,740 thousand (EUR 13,203 thousand in year 2018).

The Directors of the Group have assessed the recovery of assets for deferred taxes based on the activities developed by the Group for the term 2020-2029, including the applicable Tax Plan.

Projections used are in line with the Strategic Plan of Group SANJOSE, appropriately reviewed and updated by the directors of the Group according to the most recent trade projections, which take into account the historical evolution in recent years, and the financial stability of last years and, specially, that achieved during the year. Likewise, revenue and margin projections have been draft using external resources from recognised international prestige, such as the International Monetary Fund, and information regarding plans for public investment in infrastructure in the coming years of the main countries where the Group operates.

Forecasts of the Group are based on profits, which have, in fact, already been obtained in the last years. The most significant assumptions used to affect such Tax Plan at 31 December 2019, regarding construction activity, are as follows:

- Regarding construction activity:

  - Sales: total revenue of the construction business is distributed among the countries in which the Group operates, based on the current activity and the contracted portfolio (short and medium term), as well as the guidelines established in the business plan of the Group (medium and long term), assuming an annual growth of the total construction activity for the period 2018-2025 around 10%.
  - A relatively margin EBITDA standing at 6.0%.
  - Potential capital gains from the sale of real estate assets or income and benefits of urban development activity have not been considered in this cash generating unit.

- Regarding the other activities: energy, commercial, services and maintenance. They are secondary with regards to the main construction business.

  - Sales: overall growth in line with inflation rate for the period (1.6%).
  - EBITDA margin: it keeps in line with the average margins of the last years.

As a result of the Tax Plan made, it is concluded that the Group generates sufficient taxable income to offset the amount of deferred tax assets recorded at 31 December 2019, in a given period of nine years.

The detail of the tax loss carry forwards of the consolidated companies at 31 December 2019 is as follows:

Company	Year of inclusion	Thousand of Euros
Grupo Empresarial San José S.a. and subsidiaries Tax consolidated group	2004-2015	489,787
Spanish companies not included within the consolidated tax group	2013-2014	831
Foreign companies	1999-2019	134,302
TOTAL		**624,920**

In the case of the Spanish companies and under current legislation, the tax losses of a given year since 1998 can be carried forward for tax purposes for an indefinite period of time. Tax loss carry forwards of companies for offset when becoming an integral part of the group, may be forwarded for the parent with the limit of the individual company. However, the final amount of the tax losses to be offset may be modified as a result of the review by the tax authorities of the years in which the losses were incurred into.

Directors' of the parent consider that the Tax Group, in accordance with the existing Business Plan, will be able to generate positive results in order to offset the recorded tax credits.

20.4 Deferred tax assets and liabilities

The deferred tax assets recognised in the accompanying consolidated balance sheet at 31 December 2019 and 2018 arose as a result of the following:

Year 2019:

	Thousands of Euros				
	31.12.2018	Changes affecting current year profit/(loss)	Equity adjustments	Reclassifications and other	31.12.2019
Assets from deductible temporary differences:	**18,791**	(2,546)	16	(16)	**16,245**
Tax credit carry forwards	**4,564**	(35)	-	(1,052)	**3,477**
Tax credits to offset loss (Note 21.3)	**13,203**	(1,863)	-	3,400	**14,740**
	36,558	**(4,444)**	**16**	**2,332**	**34,462**

Year 2018:

	Thousands of Euros				
	31.12.2017	Changes affecting current year profit/(loss)	Equity adjustments	Reclassifications and other	31.12.2018
Assets from deductible temporary differences:	**21,170**	4,700	13	(7,092)	**18,791**
Tax credit carry forwards	**3,791**	778	-	(5)	**4,564**
Tax credits to offset loss (Note 21.3)	**10,174**	(2,525)	-	5,554	**13,203**
	35,135	**2,953**	**13**	**(1,543)**	**36,558**

The balance of "Deferred tax liabilities" at 31 December 2019 relates basically to the following items:

1. Acknowledgement of tax credits arising from negative tax bases declared by companies of the Group.
2. Tax credit carry forwards pending application
3. Difference between concessions and projects in progress in certain countries.
4. The differences between accounting and fiscal criteria within the Spanish regulation regarding receivables, financial profit/(loss) and amortisations.

The deferred tax assets recognised in the accompanying consolidated balance sheet at 31 December 2019 and 2018 arose as a result of the following:

	Thousands of Euros	
	Year 2019	Year 2018
Initial balance	**25,635**	**19,541**
Profit changes	(1,352)	1,576
Equity adjustments	(15)	21
Other adjustments	(7)	4,497
	24,261	**25,635**

The balance of "Deferred tax liabilities" at 31 December 2019 relates basically to the following items:

1. Different criteria of projects in progress in different regulations.
2. Elimination of the outcome of intergroup transactions within the consolidable tax Group pending incorporation.

3. Different accounting and tax criteria for the amortisation of assets.

4. Investment commitments of deferred income arising from property, plant and equipment sales made in the period from 1997 to 2001, inclusive, was reinvested in full before 31 December 2006.

20. 5 Tax credits

Tax credits earned in the year in excess of the applicable legal limits may be deducted from the income tax payable in the coming years, subject to the limits and deadlines established in this connection by the related tax legislation .The Group availed itself of the tax benefits provided for in the aforementioned legislation and recognised EUR 689.2 thousand as an increase in the income tax asset accrued in 2019, as follows:

Concepto	Year of inclusion	Thousands of Euros
Earned by the consolidated tax Grupo Empresarial San Jose S.A.		
Double taxation tax credit	2018	680.5
Deduction for reversal of temporary amortisation DT 37ª	2019	2.4
Tax credits for donations	2019	6.3
Total		**689.2**

At 31 December 2019 the following tax credits remain outstanding:

Earned by the consolidated tax group Grupo Empresarial San José S.A.	**Year of inclusion**	**Thousands of Euros**
Deduction for reversal of temporary amortisation DT 37ª	2019	2.4
Double taxation tax credit	2019	680.5
Tax credits for donations	2019	6.3
Deduction for reversal of temporary amortisation DT 37ª	2018	3.3
Double taxation tax credit	2018	1194.6
Tax credits for donations	2018	8.8
Deduction for reversal of temporary amortisation DT 37ª	2017	9.3
Double taxation tax credit	2017	8.3
Deduction for R&D	2016	29.2
Tax credits for donations	2016	13
Deduction for reversal of temporary amortisation DT 37ª	2016	9.3
Tax credits for donations	2015	3.9
Deduction for reversal of temporary amortisation DT 37ª	2015	9.9
Tax credits for donations	2014	72.6
Tax credits for donations	2013	3.8
Tax credits for donations	2012	9.5
Deduction for R&D	2012	13.6
Deduction for R&D	2011	96.8
Deduction for environmental protection	2010	15.9
Total		**2,191.0**

The tax credit carry forwards for the year were recognised as tax assets.

20.6 Tax receivables and payables

The detail of the Group's tax receivables and payables at 31 December 2019 is as follows:

	Thousands of Euros			
	31.12.2019		31.12.2018	
	Current	Non-current	Current	Non-current
Tax assets:				
Deferred tax assets	-	34,462	-	36,558
Tax receivables				
VAT receivables	15,636	-	11,187	-
Sundry receivables	18,209	-	10,380	-
	-	-	-	-
	33,845	-	21,567	-
Total tax assets	**33,845**	**34,462**	**21,567**	**36,558**
Tax liabilities:				
Deferred tax liabilities	-	24,261	-	25,635
Tax payables				
VAT payables	2,395	-	6,163	-
Personal income tax payable	2,663	-	4,844	-
Sundry payables	2,468	-	2,342	-
Social Security payables	6,774	-	6,566	-
	14,300	-	19,915	-
Total tax liabilities	**14,300**	**24,261**	**19,915**	**25,635**

20. 7 Restructuring transactions

The following restructuring transactions have been executed pursuant to the provisions of the Structural Modifications Act 3/2009 and according to the provisions of the tax regulations applicable during the years which they took place in, that is Chapter VIII of Title VII on the Special Regime of mergers, spin-off and exchange of shares established by the Legislative Royal Decree 4/2004 on 5 March approving the Consolidated Spanish Corporation Tax Law in force until 2015.

Transactions executed within the previous years:

1 - The company Parquesol Inmobililaria y proyecto S.L. was incorporated on 3 February 2000 by the absorption of several companies (Parquesol Alquileres S.l., Parquesol Inmuebles S.L., Parquesol Inmobiliaria MMM SA and Parquesol Residencial y Desasarrollo S.L.) and the incorporation of two new companies, one of them Grupo Parquesol MM SL. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2000 of Grupo Parquesol MM S.L.

2.- Merger trough absorption of the company Parquesol Inmobiliaria y Proyectos S.L. (former Miralepa Cartera) as absorbing company and Parquesol Inmobiliaria y Proyectos S.L. and Miralepa Cartera S.L. as absorpbed companies on 2 March 2006, with full effect as of 31 October 2005. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2006 of Parquesol Inmobiliaria y Proyectos S.L.

3.- As of 29 December 2008 Constructora San José S.A. absorbed the subsidiaries Alcava Mediterranea S.A., Constructora Avalos S.A., Balltagi Mediterriani SA and Construcción, Rehabilitación y Conservación S.A. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2008 of Constructora San José S.A.

4.- As of 30 January 2009 Sanjose Tecnologias S.A. absorbed the subsidiaries Artel Ingenieros S.L., Sefri Ingenieros S.A. Instal 8 S.A. y S.M. Klima S.A. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Sanjosé Tecnologias S.A.

5.- On 16 June 2009 took place the merger trough absorption of Parquesol Inmobiliaria y Proyectos, S.A. as absorbing company of the associates Parzara, S.L.U., Guadalmina Inversiones, S.L.U., Fomento Inmobiliario de Gestión, S.A.U., Parquesol Promociones y Desarrollos Inmobiliarios, S.L.U. and Parque Usera, S.L. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Grupo Empresarial Sanjose S.A.

6.- On 16 June 2009 took place the merger trough absorption of “Udra, S.A.” (currently GRUPO EMPRESARIAL SAN JOSÉ, S.A.) with “Grupo Empresarial San José, S.A.”, “San José Infraestructuras y Servicios, S.A.”, “Udramed, S.L.U.”, “Parquesol Inmobiliaria y Proyectos, S.A.” and “LHOTSE Desarrollos Inmobiliarios, S.L.”. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Grupo Empresarial Sanjose S.A.

7.- On 28 December 2009 took place the merger trough absorption of Sanjose Tecnologías S.A. as absorbing company and Tecnocontrol S.A.U. as absorbed company. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Sanjose Tecnologias, S.A.

8.- On 28 December 2009 Tecnocontrol transferred its branch of activity of maintenance of mechanical facilities in favour of Tecnocontrol Servicios SA. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Tecnocontrol Servicios, S.A.

9- As of the 30 July 2010, segregation of the real estate branch of activity of Grupo Empresarial San Jose, S.A. (formerly, Udra, S.A.) in favour of "San Jose Desarrollos Inmobiliarios, S.A." (formerly, Inmobiliaria Udra, S.A.) and capital increase of the beneficiary company. *Segregation of the real estate activity* in order to obtain a greater detail of the assets, rights and obligations of a fiscal nature transmitted, all the accounting information required in the fiscal regulations is detailed in the Financial Statements for year ended 31 December 2010 of San José Desarrollos Inmobiliarios, SA

10- Spin-off of "Sanjose Tecnologias, S.A.U." in favour of "Constructora San Jose, S.A.", "Sanjose Energia y Medio Ambiente, S.A." and "Sanjose Concesiones y Servicios, S.A.U." on 27 December 2010. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2010 of Constructora San José, S.A.”, “Sanjosé Energía y Medio Ambiente, S.A.” and “Sanjose Concesiones y Servicios, S.A.U

11.- On 3 December 2013 took place the merger trough absorption of the company Inmobiliria Europea de Desarrollos Urbanisticos S.A. of the companies Inversiones Patrimoniales Guadaiza S.L, Iniciativas Galebal S.L. and San pablo Plaza S.L. Merger has accounting effects as of 1 January 2013.

12.- On 21 December 2016, the Sole Shareholder of the company "Desarrollos Urbanísticos Udra, SAU" adopted the decision to dissolve its investee "Inmobiliaria Europea de Desarrollos Urbanísticos, SAU" in order to proceed to its absorption, without liquidation, by transferring all its assets, rights and obligations to the absorbing company, which acquires and assumes them as universal succession, being surrogated in all rights and obligations of the absorbed companies, which are dissolved without liquidation once granted through public deed the merger agreement on 21 December 2016, and filed and registered at the Trade Registry of Companies of Pontevedra on 28 December 2016.

21. Guarantee commitments to third parties

At 31 December 2019 and 2018, the Group had received from banks and insurance companies guarantees provided to third parties amounting to EUR 399 million and EUR 393 million (mainly project and definite tender and performance bonds to public and private bodies). EUR 0.04 million of which correspond to the parent company and the rest to the subsidiaries at the previous years.

Of the total of guarantees provided to third parties by the Group, EUR 264 million (approximately 66 %) relate to the international activity of the Group, mainly in Abu Dhabi and India, amounting to EUR 135 million and EUR 48 million, respectively

In addition, some associates have guarantee commitments to third parties, related to the corresponding business for EUR 6,689 thousand, which correspond to a guarantee registered by “Desarrollo Urbanístico Chamartín, S.A.” before the Community of Madrid Tax Department to guarantee the suspension of the collection proceeding in order to file a claim before the Regional Tax Appeal Board in Madrid against the liquidation derived from the payment record and receipt received on 23 December 1998 for Estate and Property Transfer Tax for the tender agreement for the urban development of the RENFE rights at the Chamartín railroad building.

Parent Company and subsidiaries Directors do not consider there will be any liability in connection to the committed guarantees.

22. Revenue and expenditure

22.1 Revenue

The detail of “Revenue” in the accompanying consolidated income statements for 2019 and 2018 is as follows (in thousands of Euros):

	Thousands of Euros	
	2019	**2018**
Construction:		
-Civil works	100,001	59,620
-Residential	313,962	189,593
-Non Residential	450,101	425,437
-Industrial	12,415	10,682
	876,479	**685,332**
Real Estate	12,778	3,761
Concessions and services	50,671	51,821
Energy	9,494	9,711
Consolidation adjustments and other	8,827	7,798
Net turnover	**958,249**	**758,423**

35% and 54% of construction revenues refer to sales to the public sector in years 2019 and 2018, respectively.

From the total net amount of the Group's turnover, in 2019 and 2018, EUR 186.4 million and 201.4 million, respectively, are derived from the participation of the Group's companies in JVs (see Annexure III).

Virtually all the work was performed as prime contractor.

The contracted backlog as of 31 December 2019 and 2018 amounts to EUR 1,868 million and EUR 1,916 million, respectively, and its breakdown is as follows:

	Millions of Euros	
	2019	**2018**
Construction:		
-Civil works	221.0	168.8
-Residential	358.4	331.4
-Non Residential	719.6	829.3
-Industrial	13.7	4.8
Subtotal construction	**1,312.7**	**1,334.3**
Concessions and services (*)	163.7	187.2
Energy	391.6	394.7
Total Backlog	**1,868.0**	**1,916.2**
Details by type of client:		
-Public-sector	37.89%	42.25%
-Private-sector	62.11%	57.75%
Details by geographical area:		
-Domestic market	62.36%	57.31%
-International market	37.64%	42.69%

(**) According to financial economic model of concessions

This detail does not include the portfolio corresponding to the "Improvement of the Checca-Mazocruz stretch of highway" contract in Peru, which at 31 December 2019 amounted to approximately EUR 30.5 million, to the extent that during the month of February 2020 the Group has received notification from the client on the termination of this contract (see Note 26).

The Group presents its results in accordance with generally accepted accounting standards (see Note 2.1). However, directors believe that certain alternative performance measures (MARs) reflect the true and fair view of its financial information and provide useful additional financial information used in the management of the business and that shall be considered to adequately assess performance of the group.

Among others, the Group identifies the portfolio as MAR, defining it as the total amount of sales contracted by Group companies with customers, discounting the part realised and recognised as income in the income statement. In concession contracts, the total amount of sales is identified with the best estimate made by the Group, which is included in the economic-financial business plan of the concession.

22.2 Procurements and other external expenses

"Supply" in the accompanying consolidated income statement for years 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	**2018**
Procurement of raw materials and other supplies	245,700	167,083
Change in impairment of inventories (Note 12.7)	4,700	(324)
Works performed by other companies	420,293	340,696
Total procurement	**670,693**	**507,455**

“Works performed by Other Companies” includes work that forms part of the Group’s own production process but is commissioned from subcontractors or other companies.

"Other current management expense" in the accompanying consolidated income statement for years 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
R&D expenses	36	3
Utilities	10,921	9,856
Repair and maintenance services	2,011	1,569
Transport and freight costs	2,299	1,311
Insurance premiums and banking services	3,884	3,903
Independent professional services	20,424	16,141
Leases	26,743	20,620
Advertising and publicity	2,780	2,457
Other services	35,091	31,050
Taxes and income tax	5,702	6,455
Impairment losses and provisions changes	14,747	8,061
Other operating expense	1,999	2,549
Total	**126,637**	**103,975**

22.3 Staff costs

The detail of "Staff costs" and changes therein in 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Wages and salaries	111,101	90,380
Termination benefits	2,028	1,382
Employer social security costs	22,655	19,019
Other social costs	7,172	6,020
Total	**142,956**	**116,801**

The average workforce by professional category is as follows:

	2019		2018	
Categoría	Men	Female	Men	Female
University graduates	600	177	530	112
University three-year degree graduates	479	98	337	72
Clerical staff	188	176	92	80
Officers and technical personnel	2,179	90	1,813	134
	3,446	**541**	**2,772**	**398**

The number of employees at 31 December 2019 was 3,879, of which 3,353 were men and 526 women, being the distribution by type similar to that of the year.

The average number of people employed in the course of the year with a disability greater than or equal to 33% is 13 and 9 workers at year-end 2019 and 2018, mainly diploma graduates. The Company, taking into account the specific risk involved in its activity, has recognised the exception of hiring disabled workers, fulfilling it by contracting services with different special employment centres. These contracts are on an annual basis, incurring into an average expense higher than the minimum required by law.

22.4 Compensation in kind

At 31 December 2019 and 31 December 2018 there was no significant compensation in kind.

22.5 Share-based payment

There are no share-based payment systems.

22.6 Leases

Operating Leases

The Group has applied IFRS 16 “Leases” for the first time on 1 January 2019, having used the option of applying it with a modified retroactive nature, without re-expressing the previous year (see Note 2.1). For this reason, the present note does not provide comparative information for the previous year.

In its tenant position, the Group has signed leases of underlying assets of different kinds, mainly machinery in the Construction activity and technical facilities and constructions for its own use in all the activities that the Group develops.

In general, leases subscribed by the Group do not include variable payments, only in certain contracts there are clauses for updating the income based mainly on inflation. The mentioned contracts present in some cases restrictions of use, the most common being those that limit the use of the underlying assets to geographical areas or to their use as an office or premises for productive use. Lease agreements do not include significant residual value guarantee clauses.

The Group determines the duration of the contracts by estimating the period during which the entity estimates that it will continue to use the underlying asset in accordance with its particular circumstances, so that the extensions that are reasonably expected to be exercised are contemplated.

As of 31 December 2019, the net carrying amount of the assets by right of use amounts to EUR 6,307 thousand. The book value, additions and amortisations made during the year by class of underlying asset are detailed below:

	Thousands of euros			
	IFRS 16 first application effect (Note 2.1)	**Additions / Provisions**	**Disposals**	**31/12/2019**
Cost:				
Land and buildings	1,929	3,437	(516)	4,850
Plant and machinery	4,709	2,493	(3,210)	3,992
Other items of property, plant and equipment	137	18	(117)	38
Total	**6,775**	**5,948**	**(3,843)**	**8,880**
Accumulated amortisation:				
Land and buildings	-	(1,145)	299	(846)
Plant and machinery	-	(4,472)	2,749	(1,723)
Other items of property, plant and equipment	-	(112)	108	(4)
Total	**-**	**(5,729)**	**3,156**	**(2,573)**
Total net cost	**6,775**	**219**	**(687)**	**6,307**

At 31 December 2019, the amount of the financial debt recognised under liabilities in the accompanying consolidated balance sheet of the Group, derived from leases in compliance with provisions under IFRS 16, amounting to EUR 6,529 thousand, of which EUR 3,189 thousand are qualified as current in the accompanying consolidated balance sheet (see Note 16).

Certain contracts are excluded from the application of the aforementioned IFRS 16, mainly either because they are low value assets or because their duration is less than twelve months (see Note 4.5) and thus are recorded as an expense under " Other operating expenses "in the accompanying consolidated income statement for an amount during year 2019 of EUR 26,743 thousand (see Note 22.2).

Finance Leases

At 31 December 2019, the Group had acquired future lease payment obligations under finance leases entered into amounting to EUR 178 thousand (EUR 109 thousand in 2018), repayable in sundry years, up to 2023. Said balance is included under "Bank borrowings" (see Note 16.1).

22.7 Financial Income

Breakdown in the accompanying consolidated income statement is as follows:

	Thousands of Euros	
	2019	**2018**
Interest on receivables	11,021	12,886
Other financial income	28,799	-
Income from equity envestments	14	27
	39,834	**12,913**

"Other financial income" includes the amount of remission received from the creditor financial institutions for an amount of EUR 28,799 thousand, derived from the operation of total amortisation of the syndicated financial debt that the Company maintained as a result of the novation of the financial debt carried out in December 2014 (see Note 16.3).

“Interest of credits” for years 2019 and 2018, mainly includes:

- Interest for deferral of collection and settlement of exchange rate hedge instruments.

- "Interests on receivables" mainly includes the amounts receivable from the Chilean Ministry of PublicWorks as a result of the deferral of payment for the construction of hospitals in Chile, amounting approximately to EUR 5,337 thousand and EUR 7,637 thousand, respectively. (See Notes 13.3 and 13.4.2).

- This item also includes EUR 0.9 million and EUR 0.8 million in years 2019 and 2018, respectively, which correspond to late payment interest due to deferment of customer charges. The outstanding amount corresponds mainly to late interest for deferral of collection to customers and settlement of exchange rate hedge instruments.

22.8 Financial Expense

Breakdown is as follows.

	Thousands of Euros	
	2019	2018
Interest on receivables	12,007	14,275
Expense for finance update	293	-
Other finance expense	5,646	7,404
	17,946	**21,679**

At 31 December 2019, EUR 8,942 thousand (EUR 9,608 thousand in 2018) are recorded as part of the financial expense for “Debt interest” derived from the settlement of interest on syndicated loans until amortisation (see Note 16.3).

22.9 Impairment and gains or losses on disposals of non-current assets

The detail is as follows:

	Thousands of Euros	
	2019	2018
Gains/Losses on write-offs of fixed assets (Note 9)	52	107
Other	(107)	(133)
	(55)	**(26)**

22.10 Change in inventories of finished goods and in progress

The breakdown of "Changes in inventories" is as follows:

	Thousands of Euros	
	2019	**2018**
Changes in inventories for recorded expenses/sales	616	(1,933)
Change in impairment of inventories (Note 12.7)	1,682	582
Total	**2,298**	**(1,351)**

22.11 Impairment and gains or losses on disposal of financial investments

In year 2019, the Group is recording under this item in the accompanying consolidated income statement a total amount of EUR 142,980 thousand, mainly including:

- Profit amounting to EUR 147,783 thousand derived from the partial sale transaction of the Group's stake in its associated company "Distrito Castellana Norte, S.A." (see Note 11).

  This item includes the impairment of assets and financial interests held by the Group, amounting to EUR5,260 thousand in 2019 (EUR 6,601 thousand in 2018), as well as the profits or losses that may have been derived from its realisation against third parties, which in the year 2019 amounts to a profit of EUR 457 thousand (EUR 23 thousand profit in the year 2018).

22.12 Audit fees

In 2019 and 2018 the expense corresponding to the financial audit services and other services provided to the Group by Deloitte, S.L. and companies associated of the same, as well as fees for audit services for independent financial statements of associated and related companies was as follows:

Year 2019:

	Thousands of Euros	
Description	**Services provided by the main auditor**	**Services provided by other auditing firms**
Audit services	252	185
Other verification services	47	8
Total audit services and related services	**299**	**193**
Tax and fiscal advice services	-	26
Other services	-	-
Total	**299**	**219**

Year 2018:

Description	Thousands of Euros	
	Services provided by the main auditor	**Services provided by other auditing firms**
Audit services	246	176
Other verification services	66	2
Total audit services and related services	**312**	**178**
Tax and fiscal advice services	-	31
Other services	-	-
Total	**312**	**209**

23. Balances and transactions with non-consolidated associates and joint ventures

All the material balances at year-end between the consolidated companies and the effect of the transactions performed between them during the year were eliminated on consolidation. The detail of the most significant balances between the Group and the non-consolidated associates and joint ventures and the effect of the transactions performed with them on the consolidated income statements are as follows:

	Thousands of Euros	
	2019	2018
Assets:		
Other	4,372	5,239
Liabilities:		
Other	1,490	12
Transactions:		
Revenue	3,145	4,766
Expenses	2,554	934

The amount of the income corresponds mainly to the services provided to the partner company “CSJ GVK Projects and Technical SS. P.L.” amounting to EUR 2.958 thousand and EUR 4.155 thousand in years 2019 and 2018, respectively.

24. Remuneration

24.1 Remuneration of Directors

The detail of the remuneration of all kinds earned in 2019 and 2018 by the Directors of Grupo Empresarial San José, S.A., 10 men and 1 woman, and of the Group company, jointly controlled entity or associated obliged to pay such remuneration are as follows:

Type of Directors	Thousands of Euros 2019	Thousands of Euros 2018
Executive board members	6,181	2,495
Independent board members	597	207
Other external board members	76	16
Total	**6,854**	**2,718**

Breakdown according to type is as follows:

Type of compensation	Thousands of Euros 2019	Thousands of Euros 2018
Salary	5,975	2,341
Allowances	419	269
Other items	460	108
Total	**6,854**	**2,718**

The amount for 2019 and 2018 includes Directors' remunerations for the furtherance of their duties as Senior Management for EUR 5,975 thousand and EUR 2,341 thousand, respectively.

At 31 December 2019 and 2018, no advances, loans or other types of guarantees had been granted to the former or current directors and there were no additional pension or life insurance obligations to them. In addition, the Group does not have any other kind of transactions with related parties.

The directors of the Company are covered by the "Corporate Liability Insurance Policies of Directors and Officers" contracted by the parent company of Grupo SANJOSE , in order to cover possible damages that may be claimed, and that they arise as a result of an error of management committed by its managers or directors, as well as those of its subsidiaries, in the exercise of their positions. Net value of the business activity branch amounts to EUR 82.3 thousand (EUR 88,5 thousand in 2018).

Breakdown of ownership interest in companies with similar activities and activities and functions of Directors and associates.

In connection with the participation of the Directors of the Company or persons linked to them, in the share capital of companies alien to the same; or if they perform the same business activity or any other similar activity on their own account; or if the same in their own name or any third parties acting on their behalf have performed with the Company or any Group company transactions other than those in the normal course of business or under non-usual market conditions must indicate that the Directors or any other persons linked to them:

- Have not performed on their own account or for any other third parties the same business activity or any other similar activity.

- Have no interest in the capital of entities with the same, analogous or complementary type of activity to the corporate purpose of the parent company.

- Have not performed with the Company or any Group company transactions other than those in the normal course of business or under non-usual market conditions.

At year-end 2019 neither the members of the Board of Directors of the Company or any third parties related to them, as defined in the Companies Act, have reported to the other members of the Board of Directors any conflict of interests, either direct or indirect, with the interests of the Company.

24.2 Remuneration and other benefits of senior executives

Total remuneration accrued for all items, from those employees who are considered Top Management in the Group, - excluding those who simultaneously have the status of member of the Board of Directors (whose remuneration has been detailed above) - during the years 2019 and 2018, can be summarised as follows:

Number of people	Thousands of Euros
Year 2019:	
10 directors	2,275
Year 2018:	
10 directors	1,433

Additionally, the Company does not have any pension or life insurance obligations to these executives.

25. Information on the environment

In view of the business activity carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

26. Events after the reporting period

During the month of February 2020, the Group has received notification from the client regarding the termination of the Checca-Mazocruz Road Improvement Contract in Peru. The Group considers that the reasons alleged by the client for the termination of the contract are unfounded, and intends to request the initiation of the arbitration procedure provided for in the contract itself. The directors of the Parent Company consider that the possible costs and contingencies that may arise from said claim process are adequately included in these consolidated financial statements.

There are no other significant events occurred after 31 December 2019 which may have impacted on the accompanying financial statements

Appendix I

Consolidated subsidiaries

Company	Company Auditor	Address	Activity	% of voting rights controlled by Parent companies		Ownership cost
				Direct	Indirect	(Thousands of Euros) (*)
Alexin XXI, S.L.U.	-	Bilbao (Vizcaya).	Real Estate Development	-	100	3
Aprisco Salvador Inv. Hoteleiros e Imobiliários, Ltda.	-	Brazil	Construction and Real Estate Development	-	100	4,424
Argentimo, S.A.	Auren	Buenos Aires (Argentina)	Real Estate Development	-	100	22,035
Arserex, S.A.U.	-	Madrid	Trade and distribution of sport items	-	100	2,844
Basket King, S.A.U.	-	Madrid	Trade and distribution of sport items	-	100	977
Cadena de Tiendas, S.A.U.	-	Pontevedra	Trade, distribution, import and export of clothes	100	-	60
Carlos Casado, S.A.	Auren	Buenos Aires (Argentina)	Real Estate Development	-	52.19	17,061
Casado Agropecuaria, S.A.	-	Paraguay	Agricultural productions	-	99.99	21,725
Agropecuaria del Chaco, S.A.	-	Paraguay	Agricultural productions	-	100	1,922
Cartuja Inmobiliaria, S.A.U.	Deloitte	Seville	Construction	-	100	3,884
Centro Comercial Panamericano, S. A	Auren	Buenos Aires (Argentina)	Real Estate Development	-	100	10,612
CIMSA Argentina, S.A.	Auren	San Luis (Argentina)	Civil works	-	100	7
Comercial Udra, S.A.U.	-	Pontevedra	Trade	100	-	1,748
Sanjose Panamá, S.A.	BDO Audit, S.A.	City of Panama (Panama)	Construction	-	100	283
Constructora San José Argentina, S.A.	Auren	Buenos Aires (Argentina)	Construction	-	96.947	2,802
Constructora San José Brasil Limitada	-	Salvador de Bahía (Brazil)	Construction and Real Estate Development	-	100	485
Constructora San José Cabo Verde, S.A.	Deloitte	Cape Verde	Construction	-	100	453
Constructora San José, S.A.	Deloitte	Pontevedra	Construction	99.79	-	92,510
Constructora San José Timor, Unipessoal Lda.	-	Timor	Construction	75	-	3
Constructora Udra Limitada	Deloitte	Monaco (Portugal)	Construction, maintenance and repair	7	70	270
Desarrollos Urbanísticos Udra, S.A.U.	-	Pontevedra	Real Estate Development	-	100	75,000

Company	Company Auditor	Address	Activity	% of voting rights controlled by Parent companies		Ownership cost (Thousands of Euros) (*)
				Direct	Indirect	
Eraikuntza Birgaikuntza Artapena, S.L.U.	Deloitte	Vitoria Gasteiz	Construction	-	100	435
Enerxías Renovables de Galicia, S.A.	-	Pontevedra	Energy	-	100	2,649
Athlelic King S.A.U.	-	Madrid	Manufacturing, storage and distribution of goods	-	100	316
Fotovoltaica el Gallo 10, S.L.	-	Burgos	Energy	-	82.97	7,793
GSJ Solutions, S.L.	Deloitte	Madrid	Engineering services	100	-	338
Hospes Brasil Participaciones e Empreendimientos Lda.	-	Brazil	Construction and Development	-	100	460
Inmobiliaria 2010, S.L.	Deloitte	Lima (Peru)	Construction and Development	-	100	1,448
Inmobiliaria Americana de Desarrollos Urbanisticos, S.A.U.	-	Pontevedra	Real Estate Development	-	100	2,640
Inmobiliaria Sudamericana de Desarrollos Urbanísticos, S.A.	Auren	Buenos Aires (Argentina)	Real Estate Development	-	100	716
Inversión SanJose Chile Limitada	-	Santiago de Chile (Chile)	Investment and real estate	-	100	22
Inversiones San Jose Andina Ltda.	Deloitte	Santiago de Chile (Chile)	Investment and real estate	-	100	14,970
Sociedad Educacional Andina Lda. (antes Inversiones Hospitalarias Ltda.)	-	Santiago de Chile (Chile)	Capital investment	-	100	1
Inversiones Viales Andina Ltda.	-	Santiago de Chile (Chile)	Capital investment	-	100	1
Outdoor King, S.A.U.	-	Madrid	Manufacturing, storage and distribution of goods	-	100	60
O&M Parc de LÀlba ST-4, S.A.	-	Barcelona	Construction, remodelling and maintenance of facilities	-	65	39
Parsipanny Corp. S.A.	Moore	Uruguay	Real estate and agriculture and livestock	-	51.72	755
Poligeneraciones parc de L´Alba ST-4	Deloitte	Barcelona	Construction, implementation and maintenance of electric energy power stations	-	76	4,560
Puerta de Segura, S.A.	Moore	Uruguay	Industrial, Trade	-	51.72	21
San José Constructora Perú S.A.	Deloitte	Lima (Peru)	Construction	-	100	542
Rincon S.A.G.		Paraguay	Development of a tourist project in Alto Paraguay and agriculture activities in the same area.	-	51.72	288
Running King, S.A.U.	-	Pontevedra	Trade, distribution, import and export of clothes	-	100	75
Sociedad Concesionaria Rutas del Loa, S.A.	-	Santiago de Chile (Chile)	Construction	-	100	6,920
San José BAU GmBH	Wisbert & Partner	Berlin (Germany)	Construction	-	84	435

Company	Company Auditor	Address	Activity	% of voting rights controlled by Parent companies		Ownership cost (Thousands of Euros) (*)
				Direct	Indirect	
San José Concesiones y Servicios, S.A.U.	-	Pontevedra	Provisions of health care and social services	100	-	2,446
San José Construction Group, Inc	Dixon Hughes Goodman	Washington (USA)	Construction	-	100	24,654
San José France, S.A.S.	-	Le Haillan (France)	Holding company	-	100	982
San José Maroc, S.A.R.L.A.U.	-	Rabat (Morocco)	Construction	-	100	1
San José Perú Inmobiliaria, S.A.C.	Deloitte	Lima (Peru)	Construction	-	100	9,075
Sáo José Mozambique, Sociedade Limitada	-	Mozambique	Construction	-	100	92
José Tecnologías Chile Ltda.	-	Santiago de Chile (Chile)	Construction	99.9	-	1
San Jose India Infrastructure & Construction Private Limited		New Delhi (India)	Development, construction and operation of Infrastructure	-	99.99	2,420
Sanjose Mahavir Supreme Building One Private Limited		New Delhi (India)	Construction	-	51	-
San José Real Estate Development, LLC	Dixon Hughes	Delaware (USA)	Real Estate Development	-	100	-
San José Energía y Medio Ambiente, S.A.U.	-	Pontevedra	Energy production	99.99	0.01	7,964
SanJosé Nuevos Proyectos Salud, Limitada	-	Chile	Construction	-	100	1
SanJosé Contracting, L.L.C.	EY	Abu Dhabi (UAE)	Construction	-	85	8,013
Sefri Ingenieros Maroc, S.A.R.L.	-	Morocco	Engineering and installations	-	75	258
Sociedad Concesionaria Chile Tecnocontrol	Deloitte	Santiago de Chile (Chile)	Infrastructure Concessions	-	100	14,035
San José Constructora Chile Ltda.	Deloitte	Santiago de Chile (Chile)	Construction	-	100	18
Constructora San José Colombia, S.A.AS.	-	Bogota (Colombia)	Construction	-	100	100
SJB Mullroser	Wisbert & Partner	Mullroser (Germany)	Construction	100	-	730
Tecnoartel Argentina, S.A.	Auren	Buenos Aires (Argentina)	Maintenance and facilities	-	100	23,465
Tecnocontrol Mantenimiento, S.L.U.	-	Tres Cantos (Madrid)	Maintenance and collection of public telephone services	-	100	19
Tecnocontrol Servicios, S.A.U.	Deloitte	Tres Cantos (Madrid)	Maintenance services	-	100	1,668
Tecnocontrol Sistemas de Seguridad, S.A.U.	-	Tres Cantos (Madrid)	Maintenance of security systems	-	100	120
Tecnocontrol Chile Ltda.	-	Santiago de Chile (Chile)	Construction	99.9	-	1
Trendy King, S.A.U.	Deloitte	Madrid	Trade and distribution of sport items	-	100	1,515
Udra Medios, S.A.U.	-	Pontevedra	Edition, production, reproduction and release of books, newspapers, magazines and video	100	-	15,600
Udra Mexico S.A. de C.V.	CyA Roldán	Mexico	Construction	-	100	5,407
Udra Obras Integrales S.A. de CV	-	Mexico	Construction	-	100	1
Vision King S.A.U.	-	Madrid	Trade, distribution, import and export of clothes	-	100	514
Xornal de Galicia, S.A.	-	Galicia	Press	-	92.73	5,653
Xornal Galinet, S.A.U.	-	A Coruña.	Press	-	100	1,100
Zivar, investimentos inmobiliarios C.	-	Portugal	Real Estate	-	52.5	2,608

(*) Cost in individual books.

Appendix II
Associates and companies included in the scope of consolidation

Company	Company Auditor	Address	Activity	% of voting rights controlled by Parent companies		Ownership cost
				Direct	Indirect	(Thousands of Euros) (*)
Associates:						
Distrito Castellana Norte, S.A.	KPMG	Madrid	Real Estate Development	-	10	14,510
Panamerican Mall, S.A.	PWC	Buenos Aires (Argentina)	Real Estate Development	-	20	696
Multigroup companies:						
Cresca S.A.	EY	Misiones esquina Perú No 593, Asunción, Paraguay	Sale of any type of mix farming product and sale, rental and construction of urban and rural property	-	50	307
CSJ GVK Projects and Technical SS.PL.	HN Patel&Co	India	Construction	-	50	4,284
Pinar de Villanueva, S.L.	-	Valladolid	Real Estate Development	-	50	498

(*) Cost in individual books

Annexure III - Joint Ventures

Joint ventures	Ownership %	Net revenue (*) (Thousands of Euros)
UTE PISTA AEROPUERTO ALICANTE	50.00%	-
UTE PROYECTO Y OBRAS DE LA EDAR ARANJUEZ NORTE	50.00%	-
Fondo Operativo Ute Hospital Asturias	42.50%	-
UTE PARQUE DE BOMBEROS	51.00%	-
UTE CIUDAD DE LA CULTURA	50.00%	-
UTE MOV.TIERRAS, IKEA GC FASE II	55.00%	-
UTE CONSERVACION LORCA	50.00%	1,001
UTE CONSERVACION MURCIA	50.00%	1,183
UTE REGADIO CANAL DEL PÁRAMO BAJO	50.00%	-
UTE HOSPITAL DE PLASENCIA	81.81%	-
EL REGUERON	33.33%	8,158
UTE ENLACE THADER	50.00%	-
UTE SAN JOSE EL EJIDILLO DASOTEC	60.00%	-
UTE COLEGIO DOS HERMANAS	50.00%	-
UTE EDAR GANDARÍO	50.00%	-
XARDINS DE FERROL	60.00%	587
UTE CAMPUS HUMANIDADES	85.00%	-
UTE HOSPITAL CABRA	100.00%	-
UTE FEDERACION FUTBOL CEUTA	100.00%	-
UTE PARQUE NORTE	60.00%	-
UTE SAN JOSE EL EJIDILLO ALCOBENDAS	60.00%	-
UTE PATRIMONIO JARDINES	40.00%	12
UTE CONSERVACION RENEDO DE ESGUEVA	60.00%	63
UTE ABASTECIMIENTO BURGOS	55.00%	6
UTE PONTESUR	50.00%	906
UTE OFICINAS SUBILLABIDE	50.00%	-
UTE EL EJIDILLO SS.REYES	60.00%	1,987
UTE EL EJIDILLO ARROYO DE LA VEGA	60.00%	-
UTE HOSPITAL TXAGORRITXU DEL HUA	80.00%	-
UTE CANAL OCTUBRE 2015	60.00%	52
UTE ANT.FABRICA TABACOS	100.00%	805
UTE REPOSICION ALUMBRADO BARCELONA	75.00%	221
UTE HOSPITAL CACERES	60.00%	624
UTE CENTRO SALUD AMURRIO	80.00%	-
UTE CENTRO COMERCIAL TAMARACEITE	60.00%	-
UTE AREA GENERACION URBANA DE JINAMAR	49.00%	-
UTE EL EJIDILLO SUR-ESTE VALLADOLID	60.00%	794
UTE EL EJIDILLO PARACUELLOS DEL JARAMA	60.00%	386

UTE MARGEN IZDO RIO PISUERGA	60.00%	-
UTE CONSERVACION DE CACERES	50.00%	1,033
UTE AMPLIACION PARQUE LINEAL DEL MANZANARES	60.00%	-
UTE DESBROCES PAREACUELLOS	60.00%	-
UTE CORREOS CATALUÑA	100.00%	-
UTE GALERIA DE FOLLEDO	60.00%	3,476
UTE MANT. PATRI. VEGETAL CANAL ISABEL II	60.00%	71
UTE CONSERVACION INVERNAL PATRIMONIO NACIONAL	40.00%	114
UTE SER MAS VERDE	25.00%	1,295
UTE PINAR COLONIA LOS PINOS	50.00%	27
UTE VIA CICLISTA CADIZ CASCO HISTORICO	100.00%	1,492
UTE HUERTOS URBANOS ALCOBENDAS	60.00%	24
UTE SAN JOSE EL EJIDILLO ALCOBENDAS 2	60.00%	163
UTE SAN JOSE EL EJIDILLO ALCOBENDAS 3	60.00%	63
UTE PLANTACION MORUS ALBA	60.00%	35
UTE EDIFICIO FONTAN	50.00%	1,354
UTE CONSTRUCCION DE VIVIENDAS EN LA CALLE IRUN	50.00%	1,793
UTE CONTORNO GRAN VIA	60.00%	500
UTE PARQUE JUAN DE AUSTRIA	60.00%	307
UTE JARDINES HISTORICOS	30.00%	468
UTE ESCOLA BRESSOL SANTS-BADAL	50.00%	523
UTE CERRO DEL TIO PIO	50.00%	368
UTE SANGONERA TOTANA (PENDIENTE)	40.00%	256
UTE RIVERA	60.00%	15
UTE AL LAIN	50.00%	63,801
UTE LOUVRE	33.33%	-
UTE AL MAMSHA PROJECT	50.00%	35,108
UTE HOTEL FAMILY	50.00%	52,376
UTE AYSA	50.00%	4,243
UTE EMTE SERVICE-TECNOCONTROL	50.00%	-
UTE MANTENIMIENTO PS MAR	50.00%	100
UTE SERV ENERGETICOS CANARIAS	50.00%	499
UTE SERVICIOS MANTENIMIENTO LAS PALMAS	50.00%	-
UTE TXOMIN	50.00%	129
TOTAL		**186,416**

(*) Join venture data, applying the participation coeficient

GRUPO EMPRESARIAL SAN JOSE, S.A. and Subsidiaries

Consolidated Management Report for the year ending 31 December 2019

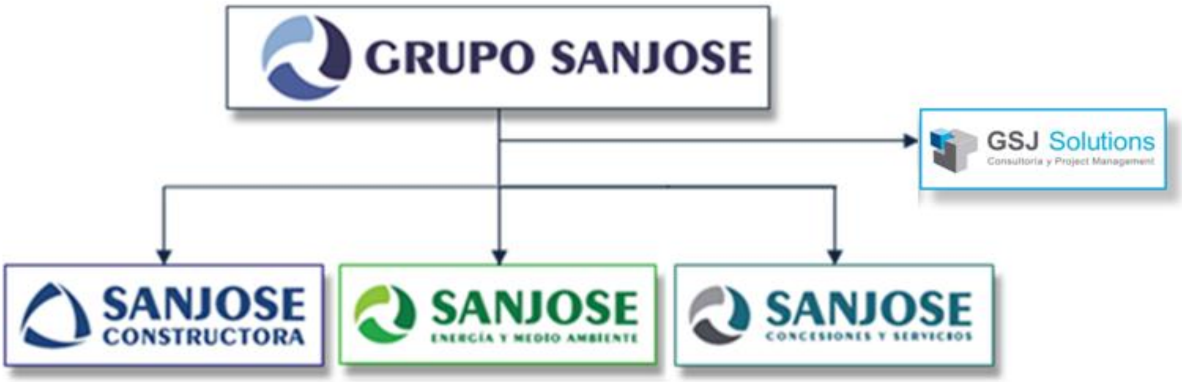
1. <u>Situation of the Company</u>

1.1. Organisational Structure

Grupo SANJOSE is arranged as a group of companies operating in different sectors. Since its foundation, the main business activity of the Group is construction, strengthening its activity in the last years.

The main lines of activity developed by Grupo SANJOSE are the following:

- Construction
- Concessions and Services.
- Energy and Environment
- Engineering & Project Management



Likewise, due to the diversification policy of the Group, the Group is present in other lines of activity, such as real estate, trade, stockbreeding and agriculture.

1.2. Performance

The business model of the Group is to create a diversified group regarding both, geographic distribution and lines of activity as a way of being less exposed to the risk inherent to a single activity. The Group has a clear international vocation, becoming increasingly important activities developed overseas, with a higher significance in the turnover of the Group. In 2019, 46% total revenue of the Group comes from overseas (51% in 2018).

The Group is present in more than 20 countries all around the world, especially in the Middle East and Latin America.

The main objective of the Group is to continue balancing the turnover, taking the construction activity as the main engine, increasing its activity in the international arena –boosting development in the countries where we are already present and in those of future penetration–, maintaining quality standards and satisfaction of customers and suppliers that have positioned Grupo SANJOSE as a benchmark in the market, analysing and encouraging the application of innovation and technological progress, and maintaining a reduced cost level that guarantees the profitability of projects.

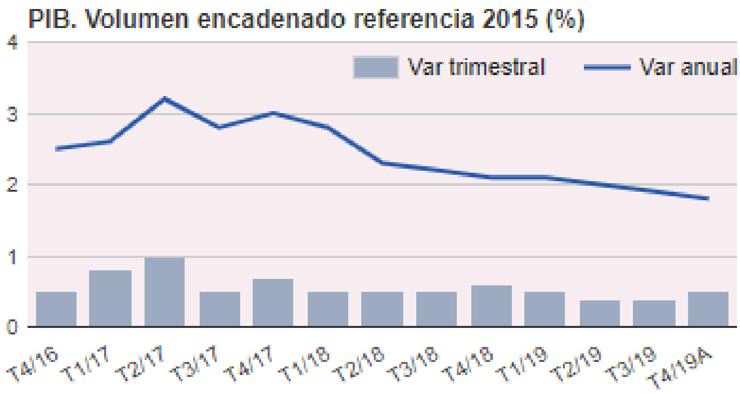
2. <u>Evolution of the market</u>

2.1. Market performance

After the period of recession following the economic-financial crisis of 2007, Spain is framed in a context of moderate growth, but slightly above that of the European powers.

In 2018, according to data from the National Institute of Statistics (INE), gross domestic product (GDP) growth reached 2.6%. In terms of volume, the GDP of year 2019 has grown by 2%, what represents a deceleration of 6 percentage points (p.p.) with respect to the growth in the year 2018.

In the fourth quarter of 2019 the Gross Domestic Product closed with a growth of 0.5% compared to the same period of 2018. Positive growth has been maintained since 2013. However, a small standstill in GDP growth can be observed compared to the previous years. The International Monetary Fund, which in October estimated a GDP increase of 1.8% for this year, has cut this forecast to 1.6% at its last meeting in early 2020 held in the Swiss city of Davos. At this meeting, same 1.6% growth is foreseen for year 2021 in Spain. This reduction relies mainly on a decrease in the forecast of domestic demand and exports. The Spanish economy continues to make up lost ground during the crisis, according to the IMF, although it points out that the pace of growth will be moderated in the coming years to converge with the growth of potential GDP, above which it has been growing in recent years. Please notice Spain GDP chart below:

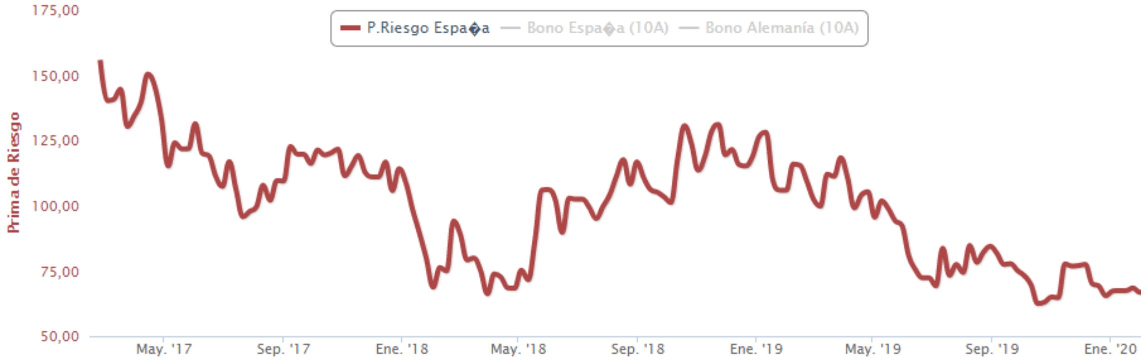


source: INE

The employment rate in Spain increased by 2% during year 2019, what has contributed decisively to the increase in the demand for goods and services. Specifically, the increase in domestic demand accounted for 1.7 (pp.) over the 2% increase in GDP, with the increase in the trade balance being the factor that mainly contributed the difference

Impact of construction within the overall economy of Spain is very significant. Its importance has been increasingly reduced over the last years. Its importance lies in the important effect of the construction sector on the whole economy, due to the effect on intermediate suppliers and because it provides the country with the necessary infrastructure to boost the economy, contributing to increase productivity and long-term growth capacity of the economy in general.

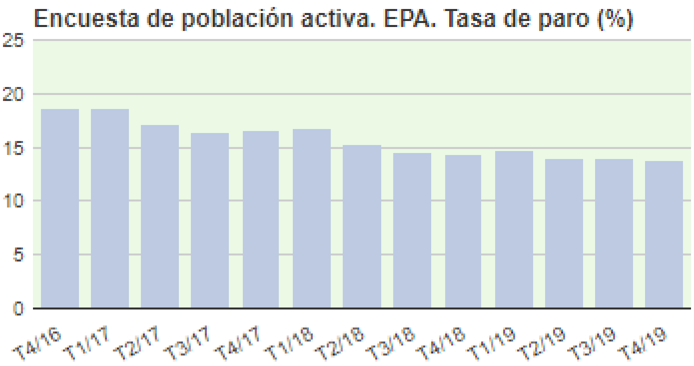
This period of greater stability has not gone unnoticed abroad. As a consequence, the risk perception of the foreign investor, which is translated into the risk premium (the ten-year Spanish bond differential with the German "bund" bond for the same term), which has closed 2019 at 65 points , representing a 44.91% reduction compared to the end of 2018, confirming the improvement in the international perception of the Spanish economy. This improvement in the risk premium lowers the country's ability to finance itself through debt issuance and thus be able to undertake more investments. Please notice risk premium chart:



source: Infobolsa

Therefore, economic activity shows signs of stability, although these signs are not sufficient for the country to be free of risks in the short-term. To consolidate the trend, the improvement of aspects such as employment, public debt and public deficit must be maintained.

With regards to employment, in 2019 the unemployment decline of previous years was maintained, being the unemployment figure 13.78% in the fourth quarter of 2019. Please notice Spain unemployment chart:



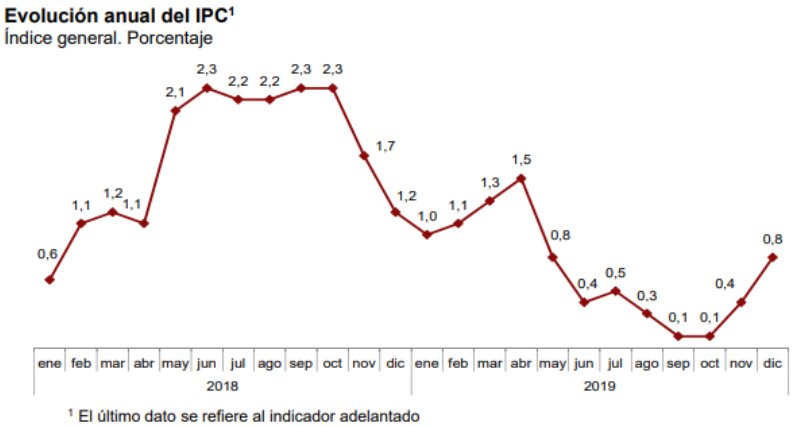
source: INE

The number of those unemployed decreased in 2019. The total number of unemployed registered in the offices of public employment services stood at 3.19 million people at the end of the fourth quarter of 2019. Thus, 2019 added a seventh consecutive annual decline, standing at lows since 2008. On the contrary, the occupancy rate has registered a total of 19.96 million people employed at the end of 2019. Please notice people unemployed chart:

At the end of year 2019, public debt has grown compared to 2018: increasing from EUR 1,173,348 million to EUR 1,188,893 million, representing 97% of GDP

As for the public deficit, the figure for 2018 reached 2.54% of GDP or, what is the same EUR 30.495 million in the absence of knowing, the final data for 2019 is estimated to be at a similar percentage.

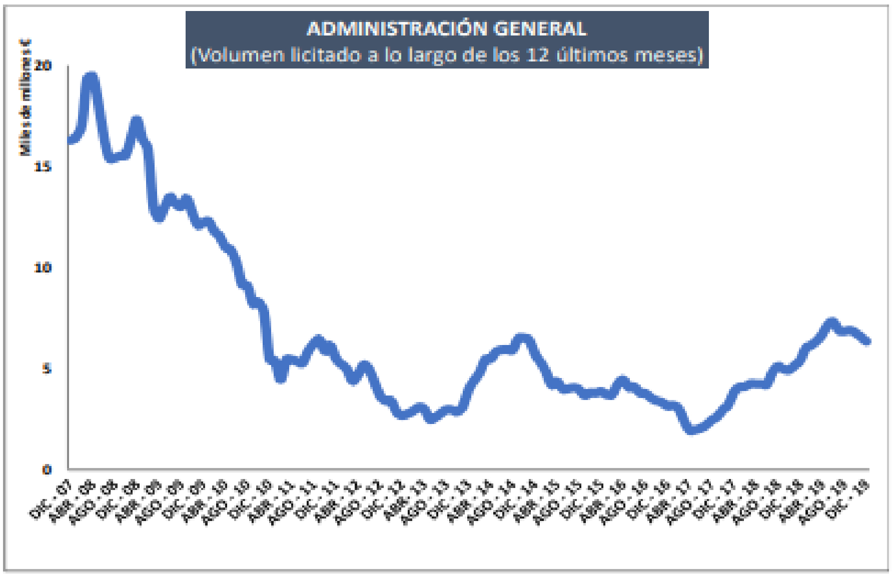
The CPI stood at 0.8% in December 2019, four tenths below the end of 2019, please notice CPI year-to-year evolution:



source: INE

Despite this year-on-year decline, a rebound at the end of the year that is motivated by the rise in crude oil prices, that, along with the increase in lubricants, has placed transport as the sector with the highest price increase during 2019 with a 4% increase and an influence on the interannual variation of the CPI of 52.90%. On the opposite side is housing, with a negative influence of 12.6%.

The main national market where the Group operates, construction, continues to not reach pre-crisis levels, although, as can be seen in the volume of public tendering there is an upward trend since April 2017 with symptoms of exhaustion in the last part of the 2019 year This exhaustion can be reversed if the political landscape is stabilised after several years of uncertainty. During 2019, the volume of public bidding has increased by 11.83% compared to 2018, ending the year at EUR 18.545 million including building and civil works. (data SEOPAN). Please notice Spain public building investment:



source: SEOPAN

In addition to the domestic market. Grupo SANJOSE is present in the Middle East, South America and Asia.

Globally, the International Monetary Fund has also revised downwards the growth perspective by 100 and 200 basis points for 2020 and 2021 respectively, leaving these forecasts at 3.3% and 3.4%. This forecast is mainly supported by the lower than expected growth data produced in India, and below the projected growth of emerging economies such as Brazil, Mexico, Russia and Turkey. It is estimated that future meetings will yield even lower estimates for 2020 due to the Coronavirus crisis, which will greatly affect the manufacturing sector with the consequent impact on the economy as a whole.

Within the developed economies, a 1.6% growth is projected for years 2020 and 2021, 0.1% lower than projected in October due mainly to the downward revisions of the growth of the United States, motivated by protectionist policies that it has been implementing, and of the advanced economies of Asia, especially in Hong Kong, due to political protests

With this macroeconomic situation, the Group's basic lines of activity are the effort to improve profitability, being flexible in adapting its structure to the reality existing in Spain, and strengthening its intention to present a business with a diversification and growing internationalization.

The Group carries on its activities in industries, countries and socio-economic and legal environments that entail different levels of risk. The Group controls these risks in order to avoid decreased shareholder returns or difficulties for its customers. It uses instruments in order to identify these risks sufficiently in advance or to avoid them by minimising them.

The Group maintains a backlog amounting to EUR 1,868 million, ensuring its medium and long-term future, both in the execution of work, and in the realisation and provision of services in concession and energy projects.

2.2. Main consolidated figures

Main figures of the company for year 2019 are as follows:

Consolidated Management Balance Sheet

Thousands of euros

	Dic. 19		Dic. 18		
	Amount	%	Amount	%	Var.
Intangible assets	17,577	1.8%	18,079	1.8%	-2.8%
Property, plant and equipment	76,949	7.7%	71,033	7.1%	8.3%
Real state investments	9,542	1.0%	10,731	1.1%	-11.1%
Investments accounted for using the equity method	20,295	2.0%	40,422	4.1%	-49.8%
Long term finantial investments	51,294	5.1%	87,738	8.7%	-41.5%
Deferred taxes assets	34,462	3.4%	36,558	3.7%	-5.7%
Goodwill on consolidation	9,984	1.0%	9,984	1.0%	0.0%
TOTAL NON-CURRENT ASSETS	**220,102**	**22.0%**	**274,545**	**27.6%**	**-19.8%**
Inventories	109,879	11.0%	114,885	11.5%	-4.4%
Trade and other receivables	350,634	35.1%	259,865	26.1%	34.9%
Other short term finantial investments	82,761	8.3%	58,166	5.8%	42.3%
Short-term accruals	3,851	0.4%	4,902	0.5%	-21.4%
Cash and cash equivalents	233,045	23.3%	283,434	28.5%	-17.8%
TOTAL CURRENT ASSETS	**780,170**	**78.0%**	**721,252**	**72.4%**	**8.2%**
TOTAL ASSETS	**1,000,272**	**100.0%**	**995,797**	**100.0%**	**0.4%**

Thousands of euros

	Dic. 19		Dic. 18		
	Amount	%	Amount	%	Var.
Equity attributable to shareholders of the parent	135,947	13.6%	81,079	8.1%	67.7%
Minority interest	27,123	2.7%	24,262	2.3%	11.8%
TOTAL EQUITY	**163,070**	**16.3%**	**105,341**	**10.6%**	**54.8%**
Long term provisions	44,774	4.5%	40,121	4.0%	11.6%
Long term finantial liabilities	132,833	13.2%	252,084	25.3%	-47.3%
Long term derivative finantial contracts	169	0.0%	351	0.0%	-51.9%
Deferred taxes liabilities	24,261	2.4%	25,635	2.6%	-5.4%
Long-term accruals	864	0.1%	865	0.1%	-0.1%
TOTAL NON CURRENT LIABILITIES	**202,901**	**20.3%**	**319,056**	**32.0%**	**-36.4%**
Short term provisions	32,932	3.3%	31,227	3.1%	5.5%
Short term finantial liabilities	55,951	5.6%	65,759	6.6%	-14.9%
Trade accounts and other current payables	545,418	54.5%	474,414	47.7%	15.0%
TOTAL CURRENT LIABILITIES	**634,301**	**63.4%**	**571,400**	**57.5%**	**11.0%**
TOTAL EQUITY & LIABILITIES	**1,000,272**	**100.0%**	**995,797**	**100.0%**	**0.4%**

Consolidated Management Income Statements

Thousands of euros

	Grupo SANJOSE				
	Dic. 19		Dic. 18		
	Amount	%	Amount	%	Variac.
Revenue	**958,249**	**100.0%**	**758,423**	**100.0%**	**26.3%**
Other operating income	15,397	1.6%	11,816	1.6%	30.3%
Change in i nventories	-616	-0.1%	1,933	0.3%	--
Procurements	-665,993	-69.5%	-507,779	-67.0%	31.2%
Staff costs	-142,956	-14.9%	-116,801	-15.4%	22.4%
Other operating expenses	-111,890	-11.7%	-95,912	-12.6%	16.7%
EBITDA	**52,190**	**5.4%**	**51,680**	**6.8%**	**1.0%**
Amortisation chargue	-10,867	-1.1%	-5,040	-0.7%	115.6%
Imparment on inventories	-6,382	-0.7%	-258	0.0%	2372.0%
Changes in trade provisions and other imparment	-11,730	-1.2%	-5,351	-0.7%	119.2%
EBIT	**23,212**	**2.4%**	**41,031**	**5.4%**	**-43.4%**
Ordinary finantial results	21,888	2.3%	-8,764	-1.2%	--
Changes in fair value for finantial instruments	-158	0.0%	-2	0.0%	-
Foreign exchangue results and others	-7,530	-0.8%	1,221	0.2%	--
Impairment and financial instruments profit	142,980	14.9%	-6,578	-0.9%	--
NET FINANTIAL RESULT	**157,180**	**16.4%**	**-14,123**	**-1.9%**	**--**
Results on equity method	-4,155	-0.4%	88	0.0%	--
PROFIT BEFORE TAX	**176,237**	**18.4%**	**26,996**	**3.6%**	**552.8%**
Income tax	-13,056	-1.4%	-8,828	-1.2%	47.9%
CONSOLIDATED PROFIT	**163,181**	**17.0%**	**18,168**	**2.4%**	**798.2%**

Alternative Performance Measures (APM):

In its consolidated summary financial statements for year 2019, the Group prepared its results in accordance with generally accepted accounting regulations. However, directors believe that certain alternative performance measures (MARs) reflect the true and fair view of its financial information and provide useful additional financial information used in the management of the business and that shall be considered to adequately assess performance of the group.

Among others, the Group identifies the following APMs:

- EBITDA: defining it as the gross operating result, calculated from operating income, excluding depreciation, provisions and impairment provided or reverted during the period, as well as the result from disposal of fixed assets.

Net financial debt (NFD): total amount of bank and non-bank financial debt, including finance lease creditors and the valuation of obligations associated with financial derivative instruments, discounting the amount recorded under "Other current financial assets" And "Cash and cash equivalents" under current assets in the balance sheet.

Backlog: total amount of sales contracted by Group companies with customers, discounting items made and recognised as income under the income statement, in concession contracts, the total amount of sales is identified with the best estimate carried out by the Group, which is included in the economic-financial business plan of the concessionaire.

Revenue:

Net revenue of Grupo SANJOSE for the year ended 31 December 2019 stands at EUR 958,2 million, experiencing a 26.3% increase compared to the previous year.

The main activity of Grupo SANJOSE is Construction, which currently represents more than 90% of the total turnover for the Group in the period, and accounts for 71% of the Group's total portfolio at the end of the 2019. The turnover of this line of activity in 2019 stands at EUR 862.3 million, experiencing a 27.6% growth with respect to the figure obtained in the previous year.

Moreover, 2019 has shown the recovery of the real state and urban development figures, which have increased from 3,8 million to 12,8 million due to, mainly, the Peruvian real state activity.

On the other hand, Concessions and Services revenue has not changed its performance compared to the previous year.

Revenue of Grupo SANJOSE by type of activity is as follows:

Thousands of euros

	Grupo SANJOSE				
Revenues by activity	**Dic. 19**		**Dic. 18**		**Var.(%)**
Construction	862,316	90.0%	675,961	89.0%	27.6%
Real estate and property development	12,778	13%	3,761	0.5%	239.7%
Energy	9,494	10%	9,711	13%	-2.2%
Concessions and services	49,765	5.2%	50,875	6.7%	-2.2%
Adjustment and other	23,896	2.5%	18,115	2.4%	31.9%
TOTAL	**958,249**		**758,423**		**26.3%**

As has been happening in recent years, diversification in international markets shows great strength and continues being a significant aspect in the Group business plan. In year 2019, it increases 13,3% compared to 2018 and contributes 46% of the total turnover of the Group.

Likewise, there is an important growth in the turnover of domestic market, experiencing an increase of 39.9% compared to the previous year and amounts 521,5 million of euros.

Thousands of euros

	Grupo SANJOSE				
Revenues by geography	**Dic. 19**		**Dic. 18**		**Var.(%)**
National	521,532	54%	372,893	49%	39.9%
International	436,717	46%	385,530	51%	13.3%
TOTAL	**958,249**		**758,423**		**26.3%**

Profit:

The EBITDA of Grupo SANJOSE for the year ended 31 December 2019 amounts to EUR 52.2 million, with a 5.4% margin on net revenue.

EBITDA obtained in the Construction activity, contributes in year 2019 an amount of EUR 39.8 million and represents 76% of the total EBITDA of the Group

Likewise, it is worth noting the favourable evolution experienced in the Energy activity line that experiences a growth of 15.2%, and also that of the Concessions and Services segment, which records an 8.8% increase in EBITDA at the end of 2019.

EBITDA breakdown by activity is as follows:

Thousands of euros

EBITDA by activity	Grupo SANJOSE				
	Dic. 19		Dic. 18		Var.(%)
Construction	39,791	76.3%	36,695	71.1%	8.4%
Real estate and property development	1,785	3.4%	27	0.1%	6515.4%
Energy	3,117	6.0%	2,705	5.2%	15.2%
Concessions and services	2,498	4.8%	2,297	4.3%	8.8%
Adjustment and other	4,999	9.6%	9,956	19.3%	-49.8%
TOTAL	**52,190**		**51,680**		**1.0%**

Earnings before interest and taxes of Grupo SANJOSE for the year 2019 amounts to EUR 23.2 million.

Profit before tax of Grupo SANJOSE for the year ended 31 December 2019 amounts to EUR 176.2 million.

On 31 October 2019, the Group has sold to the company Merlin Properties Socimi, S.A. 14.46% of its participation in the company Distrito Castellana Norte S.A. (This company has the ownership of the urban development operation known as "Madrid Nuevo Norte"), by a total amount of euros 168,9 million[1]. After this operation the Group has agreed with the creditor financial institutions the full repayment of the financial debt and the cancellation of the warrants issued.

Grupo SANJOSE retains 10% of the shares of Distrito Castellana Norte S.A. and representation on its board of directors.

At the end of 2019, the **net cash position is positive by** an amount of **126,9 million**.

Net Equity

At 31 December 2019 the Group net equity stood at 163.1 million and has increased 54.8% compared to 2018. The equity position has a significant strength and is important to notice that the participative loans are not included on this report. (On 2018 financial statements of the management report were included 111.4 million from a Parent participative loan)

The stock evolution and another relevant information about the market share can be found in the Note 9 of this management report.

[1] The payment received for the participation sold, was EUR 168.9 million in cash and a loan issued by the buyer by an amount of EUR 129.1 million. This loan has two tranches and only the second tranche, of 86.4 million, is not fully repaid at 31 December 2019.

Management cash flows statement

Thousands of Euros

CASH FLOW	Grupo SANJOSE Dic. 19	Grupo SANJOSE Dic. 18
Cash flow from operating activities	**49,252**	**56,552**
Working capital	-489	41,291
Others adjustments	-31,328	-12,467
Operating cash flow	**17,435**	**85,375**
Divestments / (Investments)	159,509	-6,236
Others adjustments	10,579	56,533
Investment cash flow	**170,088**	**50,297**
Free cash flow	**187,523**	**135,672**
Capital flow & Minorities	-1,166	-261
Increase / (Decrease) in borrowings	-231,102	-63,215
Net interest	-1,704	-7,180
Others adjustments	-4,446	-1
Financing cash flow	**-238,418**	**-70,657**
Diferences due to changes in exchange rates	**506**	**-1,715**
Total cash flow	**-50,389**	**63,300**

In year 2019, resources generated by the transactions amount to EUR 49.3 million.

It is noticeable the great improvement on the investing cash flow, which rose until the amount of 170.1 million due to the cash received after the sold of the Distrito Castellana Norte S.A. operation (see the details on Revenue note).

In the last two years, SANJOSE Group has diminished their financial debt by a total amount of 294.3 million.

Backlog

Grupo SANJOSE's backlog, indicating the business contracted in the future by the Group, amounts to EUR 1,868 million as of 31 December 2019, the detail being as follows:

Millions of euros

BACKLOG by segment	Grupo SANJOSE Dic. 19		Dic. 18		Var.(%)
Construction	**1,312**	**70%**	**1,334**	**70%**	**-1.7%**
Civil works	221	11.8%	169	8.9%	31.0%
Non residential building	721	38.5%	829	43.4%	-13.0%
Residential building	357	19.1%	331	17.4%	7.7%
Industrial	13	0.7%	5	0.5%	170.8%
Energy	**392**	**21%**	**395**	**21%**	**-0.8%**
Concessions and services	**164**	**9%**	**187**	**10%**	**-12.3%**
Maintenance	24	1.3%	18	1%	35.8%
Concessions	140	8.5%	169	9%	-17.4%
TOTAL BACKLOG	**1,868**	**100%**	**1,916**	**100%**	**-2.5%**

Millions of euros

BACKLOG by geography	Grupo SANJOSE Dic. 19		Dic. 18		Var.(%)
National	**1,165**	**62%**	**1,098**	**57%**	**6.1%**
International	**703**	**38%**	**818**	**43%**	**-14.1%**
TOTAL BACKLOG	**1,868**		**1,916**		**-2.5%**

Millions of euros

BACKLOG by client	Grupo SANJOSE Dic. 19		Dic. 18		Var.(%)
Public client	**708**	**38%**	**820**	**43%**	**-13.6%**
Private client	**1,160**	**62%**	**1,096**	**57%**	**5.9%**
TOTAL BACKLOG	**1,868**		**1,916**		**-2.5%**

It is worth saying that there is a shift in contracting towards the private client compared to the public client, as has been shown in recent quarters.

The Construction portfolio, the Group's main activity, has a total amount of 1.312 million at 2019 and represents 70% of the total portfolio.

2.3. Performance by sector

Construction

This line of activity has generated a revenue for EUR 862.3 million during year 2019, what represents a 27.6% increase regarding the previous year.

Construction EBITDA in the year stood at EUR 39.8 million and represents a margin of 8.4% over the sales figure

Earnings before tax of Grupo SANJOSE for 2019 stands at EUR 56.6 million, experiencing a 97.3% increase compared to the previous year.

At the end of the current period, the Group's contracted portfolio in this line of activity amounts to 1,312, maintaining practically the levels at the end of 2018 (EUR 1,334 million)

Thousands of euros

CONSTRUCTION	Grupo SANJOSE		
	Dic. 19	**Dic. 18**	**Var.(%)**
Revenue	862,316	675,961	27.6%
Earnings before interest, taxes, D&A (EBITDA)	39,791	36,695	8.4%
EBITDA margin	4.6%	5.4%	
Earnings before interest and taxes (EBIT)	20,262	27,296	-25.8%
EBIT margin	2.3%	4.0%	
Earnings before tax	56,641	28,703	97.3%

Breakdown of revenue of this line of activity of Grupo SANJOSE, classified by main project type and geographic area, is as follows:

Thousands of euros

DETAIL OF CONSTRUCTION REVENUES	National		Internac.		Total	
Civil works	54,741	11.8%	45,260	11.4%	100,001	11.6%
Non residential building	229,549	49.4%	210,988	52.9%	440,537	51.1%
Residential building	167,055	36.0%	140,076	35.0%	307,131	35.6%
Industrial	12,414	2.7%	0	0.0%	12,414	1.4%
Others	822	0.2%	1,411	0.4%	2,234	0.3%
TOTAL	**464,581**	**54%**	**397,735**	**46%**	**862,316**	

International construction revenue for year 2019 stands at EUR 397.7 million, with an increase compared to the data recorded in the previous year, and it accounts for 46% of the total of this line of activity.

Domestic sales stand at EUR 464.6 million versus the EUR 320.2 million recorded for the previous year, recording a 45.1% increase. Sales from international markets contribute 54% of the total line of activity.

Real estate and urban development.

The main real estate activity carried out by the Group during ear 2019 has been that corresponding to the development, commercialisation and delivery of the first housing units in the “Condominio Nuevavista” residential development, in Lima, Peru. The project foresees the construction of a total of 1,104 housing units arranged into 10 buildings, whose works began in the previous year.

During the first half of 2019, the Group has delivered the Stage I, II and III (200 housing units), allowing the Group to recover levels of income from previous years.

Currently, stages III and IV (128 housing units each) of the aforementioned development are in progress, presenting satisfactory levels of commercialisation, and the delivery of both stages during 2020.

Turnover corresponding to year 2019 for the SANJOSE Group Real Estate activity stands at EUR 12.8 million. Real state EBITDA in the year stood at EUR 1.8 million and represents a margin of 14% over the sales figure

Likewise, as evidenced by the main magnitudes of the GROUP, in this line of activity, an extraordinary profit is included as a result of the previously mentioned partial sale of Distrito Castellana Norte, S.A.

Thousands of euros

	Grupo SANJOSE		
REAL ESTATE AND PROPERTY DEVELOPMENT	**Dic. 19**	**Dic. 18**	**Var.(%)**
Revenue	12,778	3,761	239.7%
Earnings before interest, taxes, D&A (EBITDA)	1,785	27	6515.4%
EBITDA margin	14.0%	0.7%	
Earnings before interest and taxes (EBIT)	-4,848	-633	666.0%
EBIT margin	-37.9%	-16.8%	
Earnings before tax	138,415	-6,311	--

Energy

Turnover corresponding to year 2019 for this line of activity stands at EUR 9.5 million.

EBITDA corresponding to year 2019 of this line of activity stands at EUR 3.1 million compared to the EUR 2.7 million obtained in the previous year, representing a growth of 15.2%.

Thousands of euros

	Grupo SANJOSE		
ENERGY	**Dic. 19**	**Dic. 18**	**Var.(%)**
Revenue	9,494	9,711	-2.2%
Earnings before interest, taxes, D&A (EBITDA)	3,117	2,705	15.2%
EBITDA margin	32.8%	27.9%	
Earnings before interest and taxes (EBIT)	1,929	1,446	33.4%
EBIT margin	20.3%	14.9%	
Earnings before tax	1,494	914	63.5%

The percentage of EBITDA on sales of this business activity corresponding to year 2019 stands at 32.8% (27.9% in 2018).

For the portfolio of this line of activity, in addition to the normal production and exploitation of the contracts in force, the Group carries out regular reviews due to the effect of the regulatory changes and the estimated occupancy and demand levels, making the necessary adjustments when appropriate.

Grupo SANJOSE has a total contract backlog for this line of activity amounting to EUR 392 million for year 2019, which shall be translated as more activity of the group during a period of 25 years.

Concessions and Services

Turnover corresponding to year 2019 for this line of activity stands at EUR 49.8 million.

EBITDA for 2019 increased by 18.8%, amounting to EUR 2.5 million, representing a 5.0% margin on sales (4.5% in 2018).

Thousands of euros

CONCESSIONS AND SERVICES	Grupo SANJOSE Dic. 19	Dic. 18	Var.(%)
Revenue	49,765	50,875	-2.2%
Earnings before interest, taxes, D&A (EBITDA)	2,498	2,297	8.8%
EBITDA margin	5.0%	4.5%	
Earnings before interest and taxes (EBIT)	1,334	1,576	-15.3%
EBIT margin	2.7%	3.1%	
Earnings before tax	5,030	5,936	-15.3%

At the closing of 2019, contract backlog of this line of activity amounted to EUR 164 million.

2.4. Average payment term to suppliers

The Group has paid its suppliers during year 2019 with an average weighted payment period of approximately 40 days. This figure is within the average legal period established by law 15/2010 which is 30 days, extended to 60 days in those cases with agreements between the parties.

A significant part of the Group's transactions is with public sector customers, such as States, Autonomous Communities, City Halls, Local Agencies and other public authorities, which usually pay in longer periods than the established by Law. Due to this, the Group sometimes has payment deadlines which exceed the payment periods set out by law. However, the Group follows the overall practices within the sector, following common sense and not abusing their powers pursuant to Article 3 Act 3/2004.

3. <u>Liquidity and capital resources</u>

Liquidity

The Group pursues the prudent management of the liquidity risk based on the maintenance of sufficient cash and marketable securities, availability of financing through s sufficient level of committed credit facilities and sufficient capacity to settle market positions. The Group calculates its cash requirements through a 12-month cash budget.

Liquid assets are administered centrally within Grupo SANJOSE in order to optimise resources through “cash pooling” systems. In the event of cash surplus, short-term investments are held in safe highly liquid deposits.

During 2019, net position has changes as follows:

Thousands of euros

	Dic. 19		Dic. 18		
NET CASH POSITION	**Amount**	**%**	**Amount**	**%**	Var.
Other short term finantial investments	82,761	26.2%	58,166	17.0%	42.3%
Cash and cash equivalents	233,045	73.8%	283,434	83.0%	-17.8%
Total cash	**315,806**	**100%**	**341,600**	**100%**	**-7.6%**
Long term finantial liabilities (*)	132,833	70.3%	252,084	79.2%	-47.3%
Long term derivative finantial contracts	169	0.1%	351	0.1%	-51.9%
Short term finantial liabilities	55,951	29.6%	65,759	20.7%	-14.9%
Total debt	**188,952**	**100%**	**318,194**	**100%**	**-40.6%**
TOTAL NCP	**126,853**		**23,406**		**442.0%**

(*) Regardless of their effective date of amortization, financial liabilities are classified as "current" for accounting purposes if they are used to finance assets classified as "current" in the Balance Sheet.

The net treasury position at the end of 2019 is placed in a positive position of EUR 126.9 million compared to EUR 23.4 million recorded under net financial debt at the end of 2018, which represents a very significant improvement in the net treasury position, having increased in the year by just over EUR103 million.

Financial debt also includes the financing of project finance without recourse for a total value of EUR 71.4 million at 31 December 2019 (105.9 million at the of 2018).

Capital resources

Further, The Company does not expect any material change in its structure, including equity and debt, or the relative cost of capital resources during year 2019.

Future contractual obligations

The main obligations which the Group is exposed to are those deriving from financing agreements, as well as the intrinsic obligations of construction and service contracts with clients. There are no future commitments of investment or purchase of assets for significant amounts.

4. Main risks and uncertainties

The Group operates in sectors, countries and socio-economic and legal environments that involve the assumption of different levels of risk. The Company manages these risks in order to avoid involving a loss of profitability for its shareholders or cause trouble to customers by: i) identification ii) measurement; iii) control; iv) monitoring and, v) assessment of the different types of risk from an integrated and global perspective

Operational risks

Main risks arising from the Group's activity are market risks (those related to the sufficiency of demand for services and products), regulatory and political risks, labour, environmental, quality maintenance and adaptation to what is established under contractual framework with clients, etc.

In the stage of acceptance of projects, and in order to guarantee its realisation according to the established contractual parameters, with maximum quality standards, guaranteeing customer satisfaction and meeting the minimum profitability levels required, an individualised study is made of each project.

Likewise, the Group has an International Legal and Tax Department, which analyses the impact of the different regulatory frameworks on the Group's activity, the fiscal framework, etc., given its growing international presence, as a way to avoid local regulatory risks.

Financial risks

Due to its activity, the Group faces the following risks arising from payment and collection rights of business transactions:

Interest rate risk: This is the main risk which the Group is exposed to as a result of the bank borrowings described in the notes to the consolidated financial statements. Further, the Financial Management of Grupo SANJOSE in order to minimise exposure to this risk has arranged cash flow hedges to protect the Company against foreseeable interest rate increases in the future.

Foreign currency risk: The Group's policy is to borrow in the same currency as that of the cash flows of each business. Consequently, there is currently no significant foreign currency risk. However, noteworthy in this connection are the exchange rate fluctuations arising in translating the financial statements of foreign companies whose functional currency is not the Euro. In view of the Group's geographical expansion over the last few years, exposure to foreign currency risk may arise in the future. Should this risk arise, the best solution will be analysed in order to minimise it by arranging hedges, provided such instruments conform to the Group's corporate criteria.

Credit risk: rick which arises from customer defaults, is managed by means of the preventive assessment of the solvency rating of the Group's potential customers at the beginning of the relationship and throughout the duration of the contract, evaluating the credit rating of the outstanding amounts receivable and reviewing and segregating the estimated recoverable receivables from doubtful receivables.

-Liquidity risk: dealt with on Note 3 of this report herein.

5. Events after the reporting period

During the month of February 2020, the Group has received notification from the client regarding the termination of the Checca-Mazocruz Road Improvement Contract in Peru. The Group considers that the reasons alleged by the client for the termination of the contract are unfounded, and intends to request the initiation of the arbitration procedure provided for in the contract itself.

Further, there are no other significant events occurred after 31 December 2019 which may have impacted on the accompanying financial statements

6. Future outlook

The change of trend in the economic cycle of Spain during the last years, together with the growth forecasts for the 2020 and 2021 years, and the improvement of GDP in 2018 and 2019, suggests that the domestic economy will maintain stable in 2020 within the framework of the macroeconomic risks detailed on Note 2.1.

The Company has focused its activity on the construction sector and the provision of services, without neglecting real estate opportunities, related to real estate assets owned.

The main lines of action of the Group's business plan are:

- To keep the procurement level in the domestic market.
- To continue with the international activity, through a geographic diversification, and by business line:
    - Taking advantage of the value acquired in countries where it is present (Abu Dhabi, Chile, Argentina, Mexico, etc.) to increase its presence.
    - Taking advantage of new opportunities for expansion.

In this sense, in 2019, the Group has worked on the achievement of new projects, which accompany those already awarded in 2018.

On the international level, we can highlight:

- The work awarded in Chile by the Atacama Health Service, which awarded SANJOSE Constructora Chile the execution of the Huasco Community Hospital, a new health infrastructure distributed in 4 buildings.
- In Portugal, SPPP - Praça Principe Perfeito, SA has awarded SANJOSE Constructora Portugal the execution works of the administrative complex "Martinhal Expo Offices" of 41,000 m² of built surface.
- In Cape Verde, Restelo Aul Exploração Turística awarded SANJOSE Constructora Portugal Stage II (Installations and finishes) of the new 31-room boutique hotel, and SÃOJOSE Constructora Cabo Verde will be responsible for the construction of the 5-star RIU Palace Santa María Hotel on the Island de la Sal, which consists of 5 buildings of three heights (more than 45,000 m2 of built surface) that will mainly house 743 rooms and a restaurant.

Whereas in Spain:

- To be highlighted among residential projects: the Sabina complex in Cala Tarida - Ibiza, General Oraá 9 in Madrid, Llul in Palma de Mallorca, Barqueta Gate in Seville, Lagasca 38 in Madrid, Tabit in El Cañaveral - Madrid, Zorroaga supervised apartments in San Sebastián , Serenity Collection in Estepona Málaga, García de Paredes 4 of Madrid, Célere Vega in Málaga, Castillejo 95 in Las Palmas de Gran Canaria, Lantana in Córdoba, Bagaria in Cornellá de Llobregat - Barcelona, Azara in Alicante, Plaza Duque de Pastrana 7 de Madrid, social housing units in Barakaldo - Vizcaya, Célere Cuatro Caminos in A Coruña, Pier I in Rota - Cádiz, Torre Patraix in Valencia, Claudio Coello 108 of Madrid, Park & Residential Palace in Madrid These projects add 1,372 housing units and 200.000 square meters of built surface.
- Likewise, the Secuoya Group awarded SANJOSE Constructora Stage II of the construction works of this complex that houses the Corporate Headquarters of the Secuoya Group and the first Netflix production headquarters in Europe Stage II contemplates acting on a constructed area exceeding 12,000 m2, while Stage I, also carried out by SANJOSE, involved 10,000 m2.
- Among the civil works awarded, the award of the refurbishment and transformation of the urban environment of the Gran Vía de Vigo, consisting of a redistribution of spaces to increase the role of pedestrians; the wind farms for Norvento Ingeniería, consisting of three wind farms located in the Galician province of Lugo, which total 19 wind turbines and a total installed capacity of 65.7MW.
- The GROUP will participate in important projects in JV such as the construction of the Sangonera-Totana AVE section of the Mediterranean Corridor, a 24.7-kilometre stretch between Murcia and Almería; a stretch of 20, 2 kilometres of the Autovía del Duero in Valladolid or the Ferrol Hospital Complex whose works of the first stage involve a built surface of 35,000 square metres.

Furthermore, in the Concessions and Services segment, the maintenance of the air conditioning of 201 Primary Care centres in the Community of Madrid is noteworthy

In the international market, especially in emerging countries, there are business opportunities for the Group that, within its expansion policy, will try to take advantage of these growth paths. Likewise, it will continue working to consolidate its national presence even further, also relying on the prediction of a better performance in the private sector. All of the above, supported by the macroeconomic prospects for improving the economy, both nationally and internationally, are positive arguments for the future of construction.

In view of the Company's backlog amounting to EUR 1,868 million, its organic stability is assured, foreseeing to maintain the average size of the projects, trying to take advantage of public bidding opportunities, both in national territory and in foreign countries, especially in those in which it has presence and expertise.

7. R&D Activities

Grupo SANJOSE, aware of the importance that represent the activities of Research, Development and Innovation for competitiveness and business success, develops and collaborates in R &D&I trying to offer innovative technical solutions that meet the demands and needs of its customers. In order to facilitate the detection of opportunities, generating innovative ideas and the development of R&D activities, a R&D Management System following the guidelines set out in the standard UNE 166002 and having obtained the AENOR recognition through certification in the following companies has been implemented:

Among the initiatives developed by the Group in 2019, highlights the R&D project for an automated and fixed detection and dissipation system for fog precipitation on hydrometric data. Which has been patented for use on highways and railways.

In turn, it is immersed in several R&D& I projects funded by the Centre for Industrial Technological Development (CDTI). R&D issues are widely developed in the non-financial information and diversity Report of Grupo Empresarial San José, S.A. and subsidiaries for the year ending 31 December 2019, prepared by the Group and accompanying this management report.

8. Treasury share transactions

Grupo SANJOSE did not have treasury shares in 2019 and 2018.

9. Other Information of Interest

Stock exchange information

The shares of Grupo SANJOSE trade on the Madrid Stock Exchange. The main indicators and the evolution of the stock are as follows:

	2019	2018
Capitalisation* *(Thousands of Euros)*	390,156	299,120
No shares *(x 1,000)*	65,026	65,026
Price end of the period *(euros)*	6.00	4.60
Last price for the period *(euros)*	6.00	4.60
Maximum price for the period *(euros)*	9.33	6.09
Minimum price for the period *(euros)*	4.59	3.24
Volume *(thousands of shares)*	41,113	33,614
Cash *(thousands of Euros)*	291,797	149,386

* Capitalisation is calculated with shares admitted to trading and does not include shares issued from extensions that have not yet been listed.

source: Bolsas y Mercado Españoles (BMEX)

The share price shows a revaluation of 30.43% year-on-year above the 11.82% increase in the Spanish reference index IBEX 35.

Dividend policy

The Group has the aim of keeping the debt and equity structure financially strong, leaving the dividend policy subordinated to this objective.

Profit distribution proposal

The Company board of directors will propose to the Shareholders General Meeting the distribution of the 2019 profit, which is 53.444 thousand euros to offset against "Loss of previous years" and to legal and statutory reserve for amounts of 53.317 and 127 thousand euros, respectively.

10. Non-Financial Information

According to the new Law 11/2018 on non-financial information and diversity information amending the Code of Commerce, the consolidated restated text of the Companies Act passed by Royal Decree-law 1/2010, of 2 July, and Act 22/2015, of 20 July, on Accounts Auditing, in terms of non-financial information and diversity information (deriving from Royal Decree-law 18/2017). Information of this nature is developed in the consolidated non-financial information statement of Grupo Empresarial San José, S.A. and subsidiaries for the year ended 31 December 2019, accompanying the financial statements of the Parent.

11. ANNUAL CORPORATE GOVERNANCE REPORT

In accordance with the provisions of commercial legislation, the Annual Corporate Governance Report of GRUPO SANJOSE, which is available on the Group's website, and also on the website of the National Market Commission, is attached by reference of Securities, and is an integral part of the consolidated Management Report of GRUPO SANJOSE for the year ended 31 December 2019.

DISCLOSURE OF NON-FINANCIAL INFORMATION AND DIVERSITY INFORMATION OF GRUPO EMPRESARIAL SAN JOSÉ, S.A. & SUBSIDIARIES

FOR THE YEAR ENDING 31 DECEMBER 2019

GRUPO SANJOSE

DISCLOSURE OF NON-FINANCIAL INFORMATION AND DIVERSITY INFORMATION OF GRUPO EMPRESARIAL SAN JOSÉ, S.A. & SUBSIDIARIES FOR THE YEAR ENDING 31 DECEMBER 2019

According to the new Law 11/2018 on non-financial information and diversity information amending the Code of Commerce, the consolidated restated text of the Companies Act passed by Royal Decree-law 1/2010, of 2 July, and Act 22/2015, of 20 July, on Accounts Auditing, in terms of non-financial information and diversity information (deriving from Royal Decree-law 18/2017).

Purpose

The purpose of this report is to disclose non-financial information related to corporate social responsibility and to assess, monitor and manage the company's performance and its impact on Society.

The scope of the information

Grupo SANJOSE is the Parent company of Grupo Empresarial San José, S.A. and subsidiaries. For detailed information on companies within the scope of the group, please check the consolidated financial statements accompanying this report.

The information included herein corresponds to Grupo Empresarial San José, S.A. and Subsidiaries with the exception of the agricultural business whose management is carried out independently, not having aggregate information.

Financial information for the year ending 31 December 2019 is provided in the consolidated Financial Statements of Grupo Empresarial San José, S.A.

Corporate policy

Grupo SANJOSE is committed to Corporate Responsibility to take part in the economic, social and environmental development of the regions where it operates. Corporate Responsibility Policy is based on the principles of the Global Compact and on internationally accepted agreements and resolutions that address matters related to Corporate Responsibility.

Grupo Empresarial San José, S.A.
Calle Rosalía de Castro, 44
36001 Pontevedra

Tres Cantos, 27 February 2020

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BUSINESS MODEL OF GRUPO SANJOSE

1. BUSINESS MODEL OF GRUPO SANJOSE

SANJOSE is a business group that takes part in the development of key sectors for the world economy through its main business line of activity: Construction, Energy and Environment, Concessions and Services and Consultancy & Project Management.

Grupo SANJOSE designs and builds modern basic infrastructures for the development of regions and countries. Projects that boost progress, promote circular economy and drive new technologies.

Grupo SANJOSE has a full commitment to sustainable development, efficiency and ethically responsible behaviour; understanding this term broadly, under social, environmental, safety and Good Governance criteria.

It is a multinational committed to the economic and social progress of the countries where it is present and with a determined orientation to customers and service culture. This corporate culture has generated competitive advantages that are the basis of its solid growth in a global environment, increasingly complex and competitive.

SANJOSE has consolidated a business model that guarantees maximum profitability for shareholders and generates value where it operates, acting as an engine of economic and social development through the development and maintenance of all types of transport infrastructure, buildings and energy projects.

Taking advantage of its global experience and the self-demand of all its professional teams Grupo SANJOSE offers the opportunity to structure customised and innovative solutions, adapted to the reality of the client and society, key qualities to increase efficiency ratios and productivity, optimise resources and minimise environmental impact.

Grupo SANJOSE shapes cities around the world, prioritising at all times the use of local resources, favouring the exchange of knowledge, the transfer of technology and the growth of an industrial fabric that boosts the growth of each country or region where it is present.

Likewise, and as a result of the diversification policy, the Group is present in other sectors of activity, such as the real estate sector, the commercial distribution sector of sports and fashion brands for more than twenty years and the agricultural-livestock sector.

The business model of the Group SANJOSE is to design a diversified group regarding both, geographic distribution and lines of activity, as a way of being less exposed to the risk inherent to a single activity or geographic concentration.

For many years, the Group has a clear international vocation, becoming increasingly important activities developed overseas, with a higher significance in the turnover of the Group.

Present in more than 20 countries, the Group’s most important activity at international level is focused in the Middle East and South America.

GSJ WORLDWIDE

A sustainable business model that provides employees, customers, shareholders and society with value.

A Dynamic and Diversified Company

Business lines Construction, Energy and Environment, Concessions and Services and GSJ Solutions (Consultancy & Project Management).

Global Company and Long-standing Presence

To grow, to create value, to innovate and to produce wealth at each country where it operates is the commitment of the Group since the beginning of its expansion overseas in the 90s.

Quality

GSJ is committed to excellence in all business activities; the history of the Group and the portfolio of projects developed endorse this differentiating factor.

Efficiency

The optimisation of costs and resources is essential for ensuring the development and execution of works.

High Technical Capacity (R&D&I)

Execution of remarkable projects of high-technology complexity and commitment to constant innovation.

Social Corporate Responsibility

Commitment to the Environment and Sustainability, exhaustive care on Occupation Risk Prevention of all professionals integrating the organisation, as well as on their training and career promotion opportunities.

Commitment to Clients Suppliers

Relationships based on trust, transparency, professionalism and a strict compliance with contract terms.

SANJOSE CONSTRUCTORA

Reference within the sector for its experience in the execution of unique projects and for providing professional and tailored attention to each of its clients; Together with them, and providing them with all the technology and dedication of its team, it executes all kinds of building, transport infrastructure, industrial and energy projects, etc. The synergies between its different areas of activity have allowed it to create its own management models that generate operational efficiencies and improve each project in terms of quality, innovation, sustainability, profitability and safety. SANJOSE has been successfully exporting its business model and know-how since the 1990s to different geographical environments. Currently the company occupies position 140 within the "ENR Top 250 International Contractors", world ranking of the most international engineering and construction companies issued annually by the prestigious North American magazine ENR (Engineering News-Record) and position 100 within the sales ranking according to "Global Powers of Construction" (GPoC) drafted by Deloitte.

Building

SANJOSE has a wide record experience in the construction, enlargement and restoration of some of the most remarkable projects worldwide for their historical significance, their importance, their aesthetic value or the techniques used in their execution.

Hospitals, museums, theatres, faculties, schools, sport facilities, shopping centres, administrative buildings, hotels, great urban developments, etc. Buildings which improve the quality of life of people, generate wealth, foster sustainable growth and update both, cities and counties where they are developed, improving the quality of life of its citizens.

Civil works

SANJOSE designs and builds communication channels that unite people. Bridges and tunnels that overcome the most complex natural environments, highways, roads, railway, airport, maritime, hydraulic, etc. All of them, infrastructures that promote the development of regions and countries and improve the lives of their inhabitants.

Essential infrastructure for the progress of society and the group understands them only under economic, social and environmental sustainability criteria. These projects shall be respectful with the existing biodiversity, capable of boosting development and increasing modernisation.

Therefore, SANJOSE meticulously studies each project, based on innovative building techniques and efficient management models and executed a careful implementation. Only in this way are we able to satisfy the objectives set by the client and the needs of the users.

Engineering and Industrial Construction

Technology and innovation are two key components of SANJOSE's organisation culture and basic pieces for its competitiveness and credibility.

SANJOSE Ingeniería y Construcción Industrial provides its experience developing new energy infrastructure and avant-garde facilities which improve services provided and boost efficiency of airports, hospitals and any kind of infrastructure for top level multinational companies.

SANJOSE provides customers with a wide range of services from complete execution of turnkey projects or EPC regime projects (Engineering, Procurement & Construction) to advice or assistance for the development of any stage within a project. It adapts to specific needs and requirements of each customer and project by designing tailored projects based on avant-garde technology and multidisciplinary teams of professionals capable of facing the most complex challenges.

SANJOSE ENERGÍA Y MEDIO AMBIENTE

Aware of the importance of the climate change, the Group boost renewable energies and the research and development of sustainable energy solutions capable of reducing the consumption of energy and optimising the use of clean energies by the application of avant garde technologies. Joining the efforts made by major companies that, in coalition with Governments around the world, are committed to curb the global warming of the planet and achieve emission reduction targets agreed upon at the COP21 Conference in 2015 in Paris.

SANJOSE, as an Energy Services Company (ESE or ESCO), brings to this sector a high added value for its experience as promoter and constructor of this type of projects, professional teams of great experience, continuous innovation, and services and specialised solutions offered to each customer in all stages of this type of initiatives: Engineering (design and analysis), Operation and Maintenance and Energy Management..

The Group currently holds a majority stake in several clean energy projects such as the El Gallo PV solar farm in the province of Jaen and a polygene ration plant in Catalonia.

The development of clean energies, the respect for the environment and the implementation of sustainable development policies and energy efficiency are the pillars of business activity of SANJOSE Energía y Medio Ambiente.

SANJOSE CONCESIONES Y SERVICIOS

It develops business models to address long-term contracts capable of providing recurring income, promoting sustainability, optimising resources and boosting social development anywhere in the world.

The company creates value and promotes sustainable growth and improves the lives of people, actively collaborating in the development of new and innovative infrastructures through public-private partnerships under concession regime and in the provision of maintenance services in sundry areas capable of combining citizen welfare with efficiency and energy savings.

SANJOSE Concesiones y Servicios has multidisciplinary teams of professional that optimise resources, maximise profitability, encourage the use of new technologies and provide effective and tailored solutions to the concession or service required by its clients. The strategic policy of the company and its wide expertise in all its area of activity have enabled the establishment of a sound, innovative and competitive business area with great global growth potential.

Global provider of comprehensive consulting and project management services related to engineering, construction, energy and new technologies. It develops infrastructure that boosts productivity, promotes growth, encourages progress and contributes to the development of society in a more responsible and sustainable manner.

The development and execution of the GSJ Solutions projects are focused on an environment of collaboration, innovation and talent. Integrating people from diverse disciplines, systems, structures and business practices in a process capable of taking advantage of the best points of view of all the participants in the project.

The business provides integral solutions adapted to clients'' needs, both regarding the design of a project and in its global management. Its purpose is to optimise resources and, therefore, improve competitiveness and profitability of projects at any stage: planning, execution and operation.

CONCEPTUALISATION

Technical feasibility

Design or review including social, economic and environmental requirements

Legal and regulatory framework

Optimisation of resources

EXECUTION

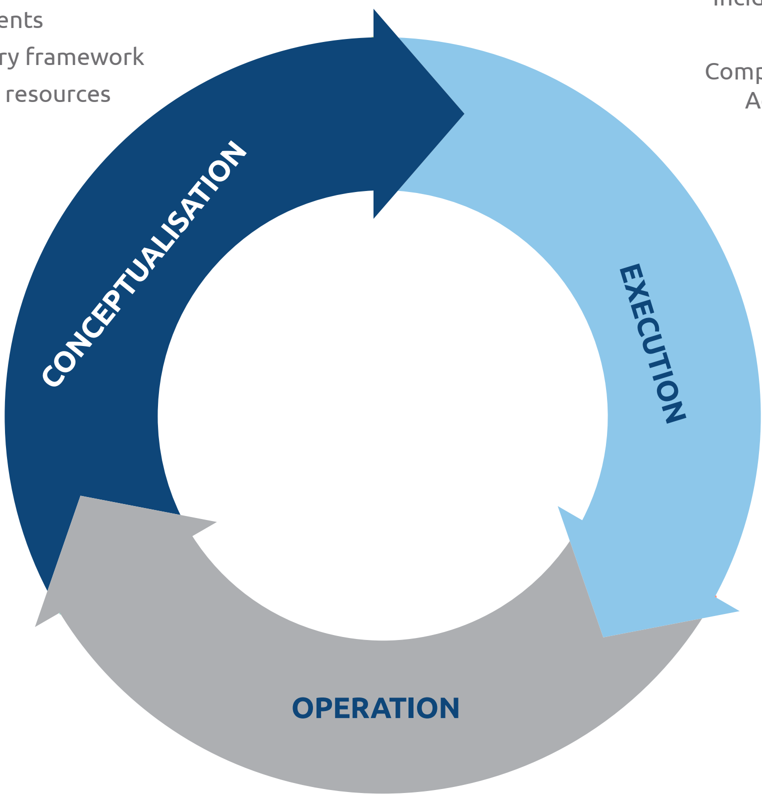
Financial structuring

Execution supervision

Incident management

Cost control

Completion in time and Agreed budgets



OPERATION

Profitability and return of the Investment

Sustainability

Commitment

2

CORPORATE GOVERNANCE

2. CORPORATE GOVERNANCE

CAPITAL STRUCTURE

The share capital of Grupo Empresarial San José, S.A. (the parent company of Grupo SANJOSE) as of 31 December 2019 consists of 65,026,083 shares of € 0.03 par value each, fully subscribed and paid up, all with the same political and economic rights, and represented by in book-entry form, being the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (IBERCLEAR) and its participating entities responsible for its accounting record.

Data has not been altered with regards to that provided for the year ended 31 December 2018.

DATE LAST AMENDMENT	SOCIAL CAPITAL (€)	NUMBER OF SHARES	NUMBER OF VOTING RIGHTS
27/06/2008	1,950,782.49	65,026,083	65,026,083

All shares representing the capital of Grupo SANJOSE are listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia through the stock exchange interconnection system (continuous market), since their admission to listing on 20 July 2009.

GRUPO SANJOSE	2019	2018
Capitalisation* (Thousands of Euros)	390,156	299,120
No of shares (x 1,000)	65,026	65,026
Price end of the period (Euros)	6.00	4.60
Last price for the period (Euros)	6.00	4.60
Maximum price for the period (Euros)	9.33	6.09
Minimum price for the period (Euros)	4.59	3.24
Volume (Thousands of Euros)	41,113	33,614
Cash (Thousands of Euros)	291,797	149,386

* Capitalisation is calculated with shares admitted to trading and does not include shares issued from extensions that have not yet been listed.

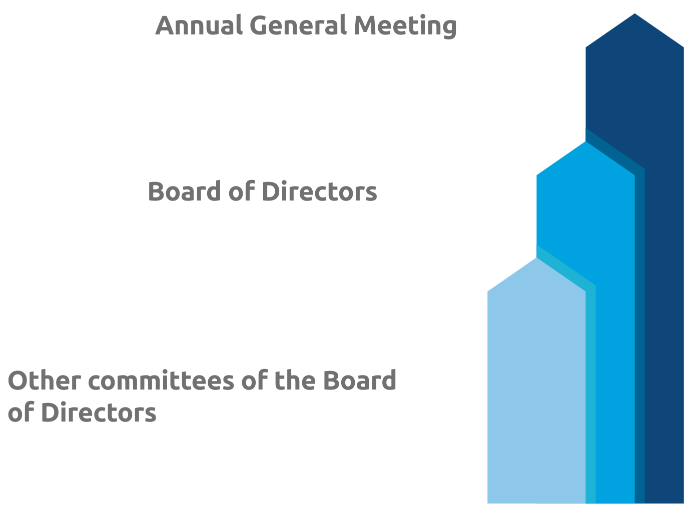
At 2019-year end, shareholding structure (direct and indirect) of Grupo SANJOSE is as follows:

STAKERHOLDERS	%
Mr. Jacinto Rey González	48.291%
Ms. Julia Sánchez Ávalos	7.520%
Ms. Mª de las Virtudes Sánchez Ávalos	5.240%
Ms. Mª José Sánchez Ávalos	4.010%
Other Members of the Board of Directors	0.870%

CORPORATE GOVERNANCE STRUCTURE

The governance model implemented in Grupo SANJOSE follows the latest recommendations of the CNMV in its code of good governance of listed companies as well as the best corporate governance practices, and consists of the following bodies:

CORPORATE GOVERNANCE



- Annual General Meeting.
- Board of Directors.
- Other committees of the Board of Directors:
    - Executive Committee
    - Audit Committee
    - Nominating, Compensation and Corporate Governance Committee
    - International Executive Committee

ANNUAL GENERAL MEETING

The AGM is formed as the main governing body of capital companies, being therefore the expression of the will and interests of the company, and where key operating decisions of the company are made.

Decisions of the AGM shall be adopted in accordance with the provisions of the Bylaws, obliging all shareholders equally, even those absent, dissenting and abstented.

The AGM is responsible for the approval of the company's financial statements, the decision regarding the application of the profit/(loss) for the year and the approval of the corporate management.

Further, is has powers over the appointment and removal of directors, as well as any other functions that may be determined by the Law or the ByLaws.

The AGM is called by means of a public announcement on the company's website, on the CNMV's website and through the corresponding announcement in one of the newspapers with the largest circulation in Spain, as well as in the Spanish Stock Exchanges.

All shareholders of the Company whose shares are registered on their name in the corresponding accounting records five days prior to the date on which the meeting is to be held shall have the right to attend the meeting, and, in accordance with Article 16 of the By-Laws and Art. 8 of the AGM Regulations, all shareholders who, individually or in a group with other shareholders, are in possession of a minimum of one hundred shares, shall be entitled to attend the General Meeting.

BOARD OF DIRECTORS

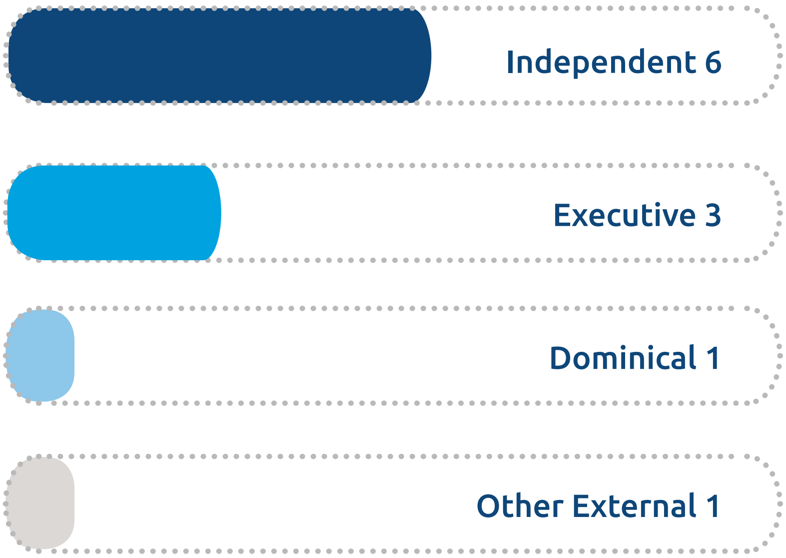
The broadest powers fall upon the Board of Directors to represent the company and manage it as body for supervision and control of its activity, but also to directly assume responsibilities and decision-making regarding business management.

Its management is subject to the approval of the AGM.

The board of directors of Grupo SANJOSE is responsible for the management and supervision at the highest level of the information provided to shareholders, institutional investors and other market members, and must safeguard, protect and facilitate the exercise of its rights and interests in the framework of the defence of social interest.

NAME OF THE MEMBER	TYPE MEMBER	POSITION CORAD	DATE OF FIRST APPOINTMENT	DATE OF LAST APPOINTMENT	PROCEDURE OF ELECTION
Mr. Jacinto Rey González	Executive	Chairman and CEO	18/08/1987	21/06/2018	Resolution of the Board AGM
Mr. Ramón Barral Andrade	Independent	Member-Coordinator	30/06/2009	21/06/2018	Resolution of the Board AGM
Mr. Roberto Álvarez Álvarez	Independent	Member	27/06/2008	21/06/2018	Resolution of the Board AGM
Mr. Jacinto Rey Laredo	Executive	Deputy Chairman	30/10/2006	21/06/2018	Resolution of the Board AGM
Mr. José Manuel Otero Novas	Independent	Member	28/08/2014	27/06/2019	Resolution of the Board AGM
Mr. Enrique Martín Rey	Dominical	Member	28/06/2013	27/06/2019	Resolution of the Board AGM
Ms. Altina de Fátima Sebastián González	Independent	Member	27/06/2008	21/06/2018	Resolution of the Board AGM
Mr. Javier Rey Laredo	Executive	Member	28/06/2012	21/06/2018	Resolution of the Board AGM
Mr. Nasser Homaid Salem Ali Alderei	Other External	Member	17/12/2015	17/12/2015	Resolution of the Board AGM
Mr. Guillermo Emilio Nielsen	Independent	Member	23/06/2016	23/06/2016	Resolution of the Board AGM
Mr. Sunil Kanoria	Independent	Member	28/07/2015	17/12/2015	Resolution of the Board AGM

According to the By-Laws of the company, the maximum number of directors will be 15 members and the minimum number will be 5 members, at the end of 2019 the number of members of the Board of Directors is 11 members, having not suffered any variation with respect to the previous year.



Below, we list those members of the Board of Directors, who hold positions in the organisation chart of the company and thus hold the status of Executive Directors, representing 27.27% of the total of the Board of Directors:

NAME OR COMPANY NAME ORGANISATION CHART OF THE BOARD	POSITION IN THE OF THE COMPANY
Mr. Jacinto Rey González	Chairman and CEO
Mr. Jacinto Rey Laredo	Vice chairman
Mr. Javier Rey Laredo	Director

As Independent External Directors are:

PERSONAL OR CORPORATE NAME OF MEMBER	NAME OF THE SHAREHOLDER IT REPRESENTS OR HAS SUGGEESTED HIS/HER APPOINTMENT
Mr. Enrique Martín Rey	Ms. Mª José y Dña. Julia Sánchez Ávalos

Total number of Independent Directors is 1, representing 9.09% on total Members of the Board.

For its part, the total number of Independent Directors is 6 members, and they represent 54.55% of the total of the Board of Directors, and there is also a member of the Board that qualifies as "other external directors".

The appointments committee maintains its objective of seeking to include in the Board of Directors a greater number of women in order to achieve a more balanced presence between men and women, although during this year there has been no vacancy or need for appointment that has resulted in the opening of a new selection process.

As no vacancy or need for appointment has been revealed, no selection process for directors has been implemented during 2019.

In the future, the company will evaluate the desirability of appointing professionals of both genders with sufficient experience and knowledge that can contribute to the development of its business. The company has always defended non-discrimination on the basis of sex, as it appears in its CSR documentation and in the board of directors' selection policy.

Both the remuneration of the Board of Directors and the Senior Management of the Group are detailed on the Corporate Governance Report and in the Remuneration Report of the Board of Directors. This information is available on the Group's website.

EXECUTIVE COMISSION

The Executive Committee is dealt with in Article 31 of the By-Laws and Article 14 of The Board's Regulations.

The Executive Committee will be comprised of a minimum of three (3) and a maximum of five (5) directors, nominated by the Board of Directors among its component, for a period equal to the term in the office of each Member of the Board.

It will have the powers which may be delegated by the Board of Directors, which in turn will determine the rules for the operation of the same. The Chairman of the Board of Directors shall chair the Executive Committee.

EXECUTIVE COMISSION

AUDIT COMMITTEE

The Audit Committee is dealt with in Article 33 of the By-Laws and of the Company and Articles 15 and 16 of the Board's Regulations

The audit Committee shall be composed exclusively of non-executive directors appointed by the Board of Directors, two of whom, at least, shall be independent directors and one of them shall be appointed taking into account the knowledge and experience in the field of accounting or audit or both.

The Audit Committee shall meet not less than four times a year. The responsibilities of the Committee are:

- To inform the General Meeting of Shareholders on the issues raised regarding matters within its competence.
- To supervise the efficiency of the internal control system of the Company, internal audit and risk management systems.
- To supervise the elaboration of financial information.
- To propose the Board of Directors the proposal for the selection, appointment, re-appointment and replacement of the of external auditors.
- To create relationships with external auditors to receive information on any issues that may jeopardize their independence and any others matters related to the development process of the auditing of accounts.
- To issue on an annual basis, prior to the issuance of the auditor's report, a report regardless the auditor's impressions.
- To inform, previously, the Board of directors of all issues applicable by law, by-laws and regulations of the Board.

In the exercise of its functions, the Audit Committee may seek the assistance of experts when it considers that, for reasons of independence or specialisation, the Company's technical means cannot be sufficiently utilized

Likewise, the Committee may request the collaboration of any employee or director of the company.

AUDIT COMMITTEE

Chairman	Member	Member
MR. RAMÓN BARRAL ANDRADE	MS. AITANA SEBASTIÁN GONZÁLEZ	MR. JOSÉ MANUEL OTERO NOVAS
Independent	Independent	Independent

AUDIT COMMITTEE

Independiente 3

NOMINATING, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

Article 34 of the bylaws and Articles 17 and 18 of the Board of Directors' Regulations deal with the composition, standards, performance and functionality of the Nominating, Compensation and Good Governance Commission.

Nominating, Compensation and Good Governance Commission will consist of a minimum of three members and a maximum of 5.

it is composed exclusively of non-executive directors appointed by the Board of Directors, two of whom, at least, shall be independent directors.

The term of office of the Chairman shall be 4 years.

A non-exhaustive list of the functions of the Commission is:

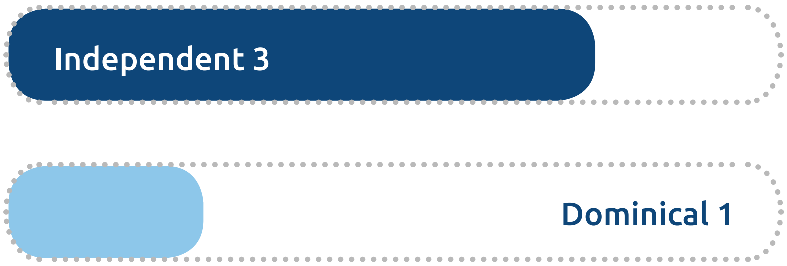
- To evaluate the competencies, knowledge and experience required for the Board of Directors. To define the functions and skills of the candidates for each vacancy and assess the necessary time and dedication so that they can effectively play their role.
- To establish a goal of representation for the under-represented sex in the Board and draw up guidelines on how to achieve this objective.
- To raise proposals to the Board of Directors for the appointment of independent directors, for their designation by co-optation or for the submission to the decision of the general meeting of shareholders, as well as to propose candidates for re-election by the AGM.
- To inform of the proposals for appointment and cessation of senior managers and the basic terms of their contracts.
- To examine and arrange the succession of the Chairman of the Board of Directors and the Chief Executive Office and, where appropriate, make proposals to the Board of Directors of such succession in an orderly and planned manner.
- To propose the remuneration policy of directors and executives to the Board of Directors.
- To supervise and monitor transparency in social actions, compliance with the Company's rules and principles and the compliance with applicable standards of all members and directors of the company.

The Commission should ensure that procedures for the selection of advisers encourage gender diversity, and not suffer from any implicit biases that may involve any discrimination and, in particular, facilitate the selection of counsellors.

APPOITMENTS COMMITTEE
GOOD GOVERNANCE COMMISSION

Chairman	Member	Member	Member
MR. RAMÓN BARRAL ANDRADE	MR. JOSÉ MANUEL OTERO NOVAS	MR. ROBERTO ÁLVAREZ ÁLVAREZ	MR. ENRIQUE MARTÍN REY
Independent	Independent	Independent	Dominical

NOMINATING, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE



INTERNATIONAL EXECUTIVE COMMITTEE

Article 18 (2) of the regulations of the Board of Directors reflects the composition, functioning and internal regulation of the International Executive Committee.

The International Executive Committee will comprise a maximum of twelve (12) members, who shall be appointed by the Board of Directors under the unique proposal of the Chairman.

The members of the International Executive Committee shall be either members of the Board of Directors, in their capacity as Group administrators, or technical third parties, with the status of international advisors or sector experts, specially designated for this function.

The International Executive Committee is responsible for the information, monitoring, advisory and proposal of matters of its competence in the international arena.

The Chairman of the Board of Directors shall chair the Executive Committee.

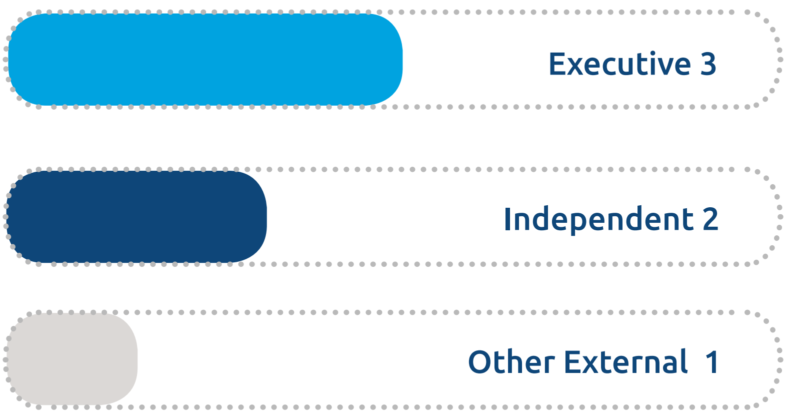
The International Executive Committee whenever convened by its Chairman.

The sessions of the Committee may be plenary or by sections, consisting the latter in private meetings with the members invited in each case by the Chairman, in response to a variety of countries, areas of specialisation or sectors of activity.

Without prejudice to other tasks assigned by the Board of Directors, the International Executive Committee shall have the following powers:

- To collaborate in the development of the Group's international area in all its divisions, both in construction and in concessions, energy and real estate projects and urban or any other type of business.
- To contribute to the increase of the international relations of the Group with public and private, local and international partners.
- To search for new business opportunities and projects, elaborate proposals.
- To raise capital and investment financing for international projects.
- To propose projects with the appropriate partners.

INTERNATIONAL EXECUTIVE COMMITTEE



RELEVANT FACTS PUBLISHED DURING THE YEAR ENDED 31 DECEMBER 2018:

During year 2019, the Group has published the following relevant facts on the CNMV website in compliance with the obligations of a listed company:

- 28 February 2019: Interim financial information for the second half of year 2018 (Record # 275545).
- 28 February 2019: Other: on business and financial situation of the Group for the year ended 31 December 2018 (Record # 275552).
- 28 February 2019: Annual Report of Corporate Governance for the year ended 31 December 2018. (Record # 275553).
- 28 February 2019: Annual report on the remuneration of directors: the company submits the annual report on remuneration of directors for the year ended 3 December 2018. (Record # 275555).
- 9 May 2019: Interim financial information for the first quarter of year 2019 (Record # 277992).
- 9 May 2019: Call and resolutions of the Annual General Meeting (Record # 277996).
- 27 June 2019: Call and resolutions of the Annual General Meeting: resolutions agreed upon at the AGM as of 27 June 2019. (Record # 279634).
- 30 July 2019: Interim financial information for the first quarter of year 2019 (Record # 280917).
- 30 July 2019: Other: on business and financial situation of Group SANJOSE for the first half of year 2019. (Record # 280919).
- 31 October 2019: Other on corporate transactions. Sale of financial stake and settlement of financial debt (Record # 283238).
    - Related to 283271 of 04/11/2019 (22:33)
- 31 October 2019: Other on corporate transactions. Details financing received by Grupo SANJOSE (Record # 283271).
    - Related to 283238 of 31/10/2019 (20:52)
- 07 November 2019: Interim financial information for the third quarter of year 2019 (Record # 283436).

3

BUSINESS RISKS

3. BUSINESS RISKS

From the Risk and Insurance Management area of the Group, an analysis is made of the risks that may accidentally affect the business and the people that constitute the Organisation, in order to contribute as much as possible to their mitigation through the establishment of internal actions in the development of activities and an insurance policy that allows the transfer to the Insurance Market of most of the risks that may cause significant damage to the balance of the Group, its employees and directors or its reputation .

The analysis of risks is carried out from a global point of view, taking into account the countries where the Group is present, in order to adapt the implemented insurance policy and insurance programmes to the real needs and regulatory requirements thereof.

The insurance policy focuses on the protection against a great risk, which is likely to generate an impact that compromises the viability of the business or to have a large impact on the same, paying less attention to more frequent, yet of minor intensity risks, and less impact, that shall be managed from the business point of view. This involves the establishment of branch offices, which can be assumed by the business, helping to contain premiums and shared management in the risk management policy. Notwithstanding this, in countries with a high catastrophic risk, as in Chile, for example, with great earthquake risk, branch offices are necessarily higher as they are pre-determined by high accident rates and the impact, they have had on the Insurance Market.

The search for adequate levels of protection leads us to structure the basic lines of insurance in the following areas, for which we are looking for first level Brokers and Insurers in each specialty, with which we regularly quote, negotiate and discuss each area of the Insurance programmes.

CIVIL LIABILITY RISKS

Construction activity, which is the main activity of the Group, entails significant risks of accidents that could cause injuries to workers or third parties and their assets. The consequences derived from this, whether in the form of compensation, whether in costs of legal defence and establishment of civil bonds, must be duly covered.

For this purpose, in order to optimise the performance of these policies as business management and protection tools, procedures and measures are coordinated in the development of the activity, such as requirements for crack protocols of adjacent buildings, requests for underground channel plans., contractual requirements to subcontractors.

We focus on the Group's Civil Liability Protection Programme in a global way and with a vocation to equalise the coverage contracted in Spain for Europe with those non-European countries where we operate, because we are dealing with broader coverage, but adapting it to each country in accordance with the requirements and possibilities offered by local regulations and the local market.

In Peru, Argentina and Chile we reproduce the coverage scheme of the Master policy contracted in Spain through the issuance of mirror policies issued by Local Insurers in each country. Without prejudice to this, for specific works or projects we contract specific policies for works in compliance with the requirements of the contract documents that apply to the works and our mirror policies act in excess of those work policies and for all of the activities carried out in the country by the Group.

This system of local policy that covers all the activity in the destination country is also used in Mexico and in Cape Verde.

In Abu Dhabi, since all the activity is carried out in Joint Venture with local companies, work-to-work insurance is chosen, under the terms required in each contract, and our partners are sometimes responsible for contracting and managing it.

In India it is also performed at local level, work to work and sometimes through our partner or through the broker imposed by the client.

Within civil liability risks, we include for Spain and Portugal, fundamentally, the contracting of employer liability coverage.

We demand our subcontractors to hire their own Civil Liability with general liability coverage. Civil Liability of subcontractors.

We have action protocols and claims management to act with efficiency and quick response capacity and those cases in which the integrity of people has been compromised are managed with the highest priority.

ENVIRONMENTAL LIABILITY

The Group has contracted and in force an Environmental Civil Liability Insurance Programme for an amount of EUR 20 M and EUR 100,000 franchise with coverage for several countries, with a local policy issued in Portugal for a smaller amount and in Cape Verde.

Locally in each of the countries where it operates, it meets the requirements that may exist legally or contractually in environmental issues and the specialised departments of the Group will analyses and adopt the necessary preventive measures to avoid the occurrence of an accident.

Among the coverage of the Group’s General Civil Liability policy, we have also contracted third-party damage coverage for accidental contamination that reinforces the protection provided in this area by the Environmental Risk policy.

During year 2019 no environmental provisions have taken place.

RATE OF ACCIDENTS OF OWN STAFF

In addition to the Employer Liability coverage, all accident insurance programmes established as mandatory by applicable collective agreements are contracted for all Group companies and our standard contracts establish the obligation to require all subcontractors to provide proof of holding in force insure with respect to workers.

PROFESSIONAL GENERAL LIABILITY

The Group has a Professional Liability Insurance Programme where it incorporates those projects that are carried out or assumed by Group companies in terms of their design and execution in order to be protected against future claims arising from design errors, especially after the delivery of the works.

In some countries such as Abu Dhabi, project-specific insurance policies have been contracted with a discovery period of ten years from the completion of the works to comply with contractual requirements in this regard.

CIVIL LIABILITY OF BOARD MEMBERS AND EXECUTIVES

In order to protect the individual assets of each of the Directors and Executives of Group companies against claims that can be made due to financial losses attributable to a management error in the performance of their duties, we have contracted a worldwide insurance policy, with coverage of legal defence, civil bonds and payment of compensation where appropriate.

Local issues of policies with less coverage are made in those countries where we have a permanent presence: Chile, Argentina, Peru, Abu Dhabi and India.

INSURANCE POLICIES TO COVER ASSETS OF THE GROUP

All the Group's real estate assets in Spain are adequately insured with damage policies, adapting each year the value according to the reviews that are made and made available to the Risk and Insurance Management area in order to achieve an adequacy to the reality of the risk to be covered.

ALL RISK CONSTRUCTION POLICY FOR ALL WORKS WORLDWIDE

In order to protect the works in execution during the term of the contracts, against accidental risks arising from errors of design, execution, defects of materials, fire, risks of nature and atmospheric phenomena, theft, strike, riot , vandalism, etc., all of our works are covered by a fully-comprehensive construction insurance programme with broad coverage and standard exclusions and limitations of this type of policy have been significantly limited.

It is the Risk Management's responsibility to ensure that all our works are secured under this programme regardless of whether works are to executed 100% by companies of the Group or in JV.

From the initial stage of study and bidding, the Risk and Insurance Management Area, in coordination with the contracting, legal and production areas of the Group, carry put an analysis of the contractual and legal requirements and assess need of providing coverage for risks that affect or may affect business, a cost estimate is made of the main insurance coverage and, in the event of becoming the successful tenderer, works focus on achieving the highest level of insurance protection possible given the specific circumstances of each project.

CLAIMS MANAGEMENT

An essential part of the functions of the Group's Risk and Insurance Management is focused on the correct management of claims affecting the Group. To this end, we are constantly working on the establishment of protocols to be followed in the event of an accident, the management and monitoring thereof, with Experts, Brokers and Insurers, negotiating the resolution and the management of the compensation.

Thus, training sessions provided to personnel responsible for works management and carried out on a regular basis are essential.

In 2019, we recorded a total of 23 claims of which 7 were of own damages (mostly in construction works) and the outstanding referred to damages to third parties, including said third parties' personal accidents suffered by own or subcontracted workers.

Of those 23 claims, 5 are already closed and have been correctly covered by the policies and the rest are still being processed for resolution and closure, without any including doubts of coverage under the Group's insurance policies.

Throughout 2019, several claims that corresponded to previous annuities have been closed but, since many involve injuries suffered by workers, it is impossible to close them within the same annuity since either the injuries are not consolidated or judicial procedures that determine the percentage of responsibility that may correspond and the extent of compensation are still pending resolution.

BALANCE FOR THE YEAR 2019

The balance for year 2019 of the Risk and Insurance Management area of the Group is positive because, analysing the accidents or claims occurred during the development of the activity, we verified that the level of response to them from the Insurance Programme has been fully satisfactory and we have had no relevant impact without coverage.

The monitoring of international reference standards in the matter, mainly the guidelines and methodology implemented under the framework of ISO 31000, are increasingly implemented in our business development and allow updating the risk map in order to detect variations in exposure to traditional risks, as well as emerging risks.

Every year, an analysis of the results is carried out according to the claims that have occurred and been resolved during the year so as to correct any deviation that may arise and to obtain conclusions that allow the optimisation of the risk management system used.

The investment in preventive policies and in the contracting of insurance programmes fully adapted to the needs of coverage has meant a clear return to the Group, not only in terms of compensation made, but also in a greater efficiency of resources used (use of economies of scale in the global negotiation of programmes, adaptation of coverage to the tailored needs of projects and activities, etc.), and above all, in a greater protection of our brand and reputation.

4

PEOPLE

4. PEOPLE

SANJOSE believes in the talent and responsibility of its entire human team as a driving force for the transformation of society, diversity and business success.

Self-responsibility and self-demand are part of the Group's business culture. With the aim of learning, improving and innovating in all areas, SANJOSE integrates ethics, social responsibility and sustainability throughout its formation.

SANJOSE's team is the most important capital of Group. Thus, its recruitment, training and management are a priority for the Group.

The experience, knowledge and flexibility of professionals are essential for increasing the company's competitiveness and for meeting the company's goals and objectives.

To invest in talent provides a top added value and innovative solutions on a par which customers' requirements. Grupo SANJOSE believes than investing in human resources is investing in leadership, growth, R&D and Innovation in the future.

Likewise, Grupo SANJOSE fosters an inclusive, healthy and non-discriminatory work environment, working day by day to achieve excellence in order to reaffirm the talent of its teams.

All the teams that Grupo SANJOSE displaces to the different projects, both nationally and internationally, in which the Group participates, share a common objective, whose fundamental pillar is the values of Grupo SANJOSE itself, assuming the 10 principles of the Covenant of the United Nations World Cup on Human Rights, Environment and Anti-Corruption as its own.

All teams share a vision: to be a Constructor Group with international development, with a focus on customer service and creating value for society, offering global and innovative solutions for proper resource management, infrastructure improvement, and building city, with the aim of improving the quality of life of citizens and contributing to the sustainable progress of society.

The Human Resources Management is based on ethical codes of equal opportunity, cultural diversity, internal promotion and sound values, such as involvement, responsibility, perseverance, commitment, trust and respect.

STAFFING STRUCTURE OF GRUPO SANJOSE AT 31/12/2019

DISTRIBUTION BY GENDER

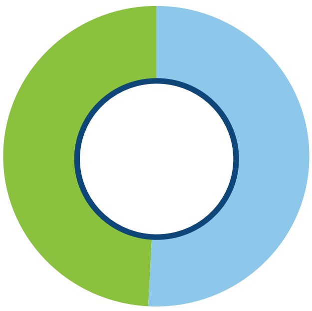
Staff at 31 December 2019

3,882

WOMEN	MEN
13.60%	86.39%
Average Age: 37 years	Average Age: 40 years
Average Age: 6.03 years	Average Age: 4.42 years

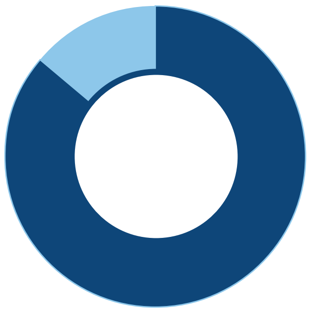
	WOMEN	MEN
Distribution by Gender	528	3,354
University graduates	93	416
University three-year degree graduates	100	483
Non-qualified technicians	88	353
Administration	137	191
Foremen and Supervisors	110	1,911
Employees with command post	25	302
Management Team	4	30

TYPE OF CONTRACT



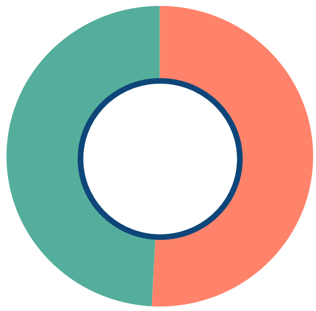
OPEN-ENDED CONTRACTS TOTAL 1,994 - 51%

TEMPORARY CONTRACTS TOTAL 1,888 - 49%



MEN TOTAL 3,444 - 86.38%

WOMEN TOTAL 543 - 13.62%



AVERAGE OPEN-ENDED CONTRACTS TOTAL 1,924 - 48.27%

AVERAGE TEMPORARY CONTRACTS TOTAL 2,062 - 51.27%

	OPEN-ENDED	TEMPORARY
MEN	714	925
WOMEN	170	84
TOTAL	884	1,009

	OPEN-ENDED	TEMPORARY
<30	46	185
30-45	448	398
>45	390	426
TOTAL	884	1,009

	OPEN-ENDED	TEMPORARY
GRADUATES	412	240
CLERKS	115	48
PROJECT	357	721
TOTAL	884	1,009

	DISMISSALS N.
MEN	66
WOMEN	6
TOTAL	72

	DISMISSALS N.
<30	6
30-45	39
>45	27
TOTAL	72

	DISMISSALS N.
GRADUATES	12
CLERKS	4
PROJECT	56
TOTAL	72

	DISMISSALS GLOBAL
MEN	383
WOMEN	23
TOTAL	406

POSITION	SALARY RANGE
QUALIFIED TECHNICIANS	30,000€ - 45,000€
OFFICE CLERKS	20,000€ - 35,000€
SITE PERSONNEL	20,000€ - 40,000€

	AVERAGE SALARY			AVERAGE SENIORITY		AVERAGE AGE	
	MEN	WOMEN	%	MEN	WOMEN	MEN	WOMEN
GRADUATES	33,614	33,293	0.95%	7	8	37	38
OFFICE TASKS	28,347	25,399	10.39%	11	13	37	40
TOTAL AVERAGE	30,980	29,346	5.27%	9	10	37	39

ABSENTEEISM DAYS 56,356

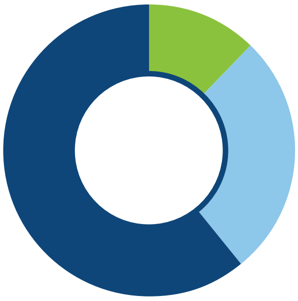
STRUCTURE ROTATION 36.98%

TOTAL LABOUR DAYS AVERAGE STAFF 1,335,645

ROTACIÓN VOLUNTARIA 15,66%

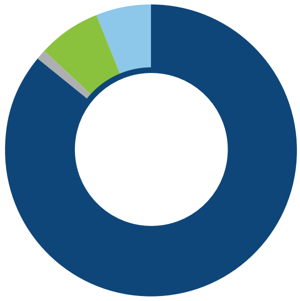
ANBSENTEEISM RATE 4.22%

DISTRIBUTION BY GEOGRAPHIC AREAS



- EUROPE 61%
- AMERICA 27%
- ASIA 12%

STAFF BY BUSINESS LINE



- CONSTRUCTION 86%
- COMMERCIAL 1%
- INDUSTRIAL SERVICES 7%
- SERVICES 6%

BREAKDOWN ACCORDING TO PROFESSIONAL CATEGORY

- GRADUATE 13%
- DIPPLOMA 15%
- ASSISTANTS 11%
- CLERKS 9%
- FOREMEN AND SUPERVISORS 52%

The Annual Corporate Governance Report published in the National Commission of the Market of Values, provides details of Directors and members of Senior Management, as well as their average remuneration for the year.

Employees of the Group are subject to the different collective agreements applicable in each of the Spanish provinces as well as in the countries where it operates.

The human resources department performs a centralised management of the selection processes. In the different countries where the Group operates, a search process is carried out to cover the demand for local labour, thus not having aggregate information.

The company, as measures to facilitate the disconnection of labour, monitors the age of the employees to facilitate their early access to retirement when workers wish so.

Likewise, all employees are informed of the possibility of reducing working hours due to legal guardianship, leave of absence, as well as other benefits, such as the absence due to the risk of pregnancy, entitled either before or after maternity and paternity leave in order to reconcile work and family life.

Communication with staff members is done via email, telephone and in a personalised manner, as the case is. There is also a suggestion box available to workers, as well as a virtual mailbox on the company's website.

The representation of the workers is made up of the two most representative unions in the areas of social affairs. That is, Comisiones Obreras (C.C.O.O.) and Unión General de Trabajadores (U.G.T.). They are not involved in any type of open active union conflict and participation in labour issues and collaboration with the unions is the regulatory.

Within the scope of Collective Agreements, the national companies that make up Grupo SANJOSE do not have any collective agreement of business scope agreed upon. These are governed by the State or Provincial Collective Agreements negotiated and agreed upon by the different trade unions and business associations corresponding to each activity carried out by the concerned companies.

In this sense, we indicate that within the companies of the construction sector, the Collective Agreement for all of them is the Provincial Construction Agreement with 1,292 employees, representing 95.42% of the total sector. However, Constructora San José also carries out activities with the Collective Agreement at the provincial level of Siderometalurgy with 61 employees (4.51%) and residual activities with the Agreement on the State level of Gardening with 1 employee (0.7%).

In the Commercial Sector, the Collective Agreement for the different companies that compose it, except Outdoor King S.A., is the Agreement of provincial scope of Textile Commerce with 28 employees, which represents 57.14% of the total of the sector. However, Comercial Udra S.A. also carries out activities with the Collective Agreement of the provincial scope of wholesale of sporting goods with 20 employees (40.82%) and the company Outdoor King also develops part of its activity being governed by the Collective Agreement of the provincial scope of Commerce Sports with 1 employee (2.04%).

In the Services Sector all the companies and JVs that compose it are governed by the State Collective Agreement Of Gardening with 225 employees, 100% of staff.

Finally, in the Industrial Sector, the predominant Collective Agreement is the Collective Agreement at the provincial level of Siderometallurgy with 162 employees, which represents 98.18% of the total of the sector except for the Renewable Energy Companies of Galicia with 1 employees (0, 61%) and SANJOSE Energy and Environment with 2 employees (1.21%) that are governed by the Collective Agreement of State Engineering.

In the international area, collective bargaining does not operate with the same practice or organisation as at the national level. Companies are borne by labour laws in force in each country agreeing, where appropriate, the individual matters and issues that may arise eventually.

The difference between the average salary of men and women within the organisation, technically called “Salary Gap”, is 5.27%. In our desire to match the salary compensation of all workers, always taking into account the responsibilities inherent to each job, the organisation stands for and moves towards equality in all labour aspects. Indicate that this percentage is lower than the one published in the study, entitled ‘Analysis of the Gender Wage Gap in Spain’ on March 2019 drafted by the Spanish Confederation of Business Organisations (CEOE). This study indicates that the national wage gap is 12.2% according to the latest data reported by the INE.

STAFF WITH DISABILITIES

In order to comply with Royal Decree 364/2005 as of 8 April, the Spanish companies of Grupo SANJOSE with more than 50 employees have taken a series of measures that are detailed below:

On 5 April 2016 it was granted a certificate of exceptionality that justifies the adoption of substitute measures regulated in the aforementioned Royal Decree 364/2005, to Tecnocontrol Servicios, S.A.

On 12 April 2016 it was granted a certificate of exceptionality that justifies the adoption of substitute measures regulated in the aforementioned Royal Decree 364/2005, to Cartuja Inmobiliaria, S.A.

On 6 April 2,017 it was granted a certificate of exceptionality that justifies the adoption of substitute measures regulated in the aforementioned Royal Decree 364/2005, to Constructora San Jose, S.A.

For the company Constructora San José, S.A. and following the calculation according to Royal Decree Royal Decree 364/2005, as of 8 April to determine the number of workers for the purpose of establishing the 2% reserve quota in favour of personnel with disabilities, had a staff of 764 eligible workers, what involves the obligation to have 15 members with disabilities on staff.

For the company Cartuja Inmobiliaria, S.A. and following the calculation according to Royal Decree 364/2005, as of 10 April to determine the number of workers in order to establish the reserve quota of the 2% in favour of staff with disabilities, had 67 computable workers, which meant the obligation to have 1 disabled worker.

For the company Tecnocontrol Servicios, S.A. and following the calculation according to Royal Decree Royal Decree 364/2005, as of 8 April to determine the number of workers for the purpose of establishing the 2% reserve quota in favour of personnel with disabilities, had a staff of 338 eligible workers, what involves the obligation to have 6 members with disabilities on staff.

For year 2019, the aforementioned companies have entered into commercial contracts with different authorised centres, which make it possible to replace the hiring of personnel with disabilities:

GRUPO SANJOSE	NO OF EMPLOYEES WITH DISABILITIES	TRADE CONTRACTS ENTERED INTO WITH SPECIAL DURING YEAR 2019	NO OF EMPLOYEES WITH DISSABILITIES STAFF N PAYROLL REPLACEMENT
Constructora San José, S.A.	5	European Green Protection S.L. Interserve Centro Especial de Empleo S.L. Lógica Informática y Suministros de Material Integral S.L. Celima Centro Especial de Empleo y Desarrollo, S.L.U. Fundación Juan XXIII Servicios Integrales de Fincas Urbanas de Madrid S.L.	10
Cartuja Inmobiliaria, S.A.	0	European Green Protection S.L. Interserve Centro Especial de Empleo S.L. Fundación Juan XXIII	1
Tecnocontrol Servicios, S.A.	2	European Green Protection S.L. Interserve Centro Especial de Empleo S.L. Lógica Informática y Suministros de Material Integral S.L. Fundación Juan XXIII	4

For the present year 2020, at the date of preparation of this Report, the company Constructora San José, S.A. currently maintains 1,168 computable workers, which would mean the obligation to have 23 people with disabilities on staff by keeping the company on its workforce to 8 hired workers with a degree of disability> or = 33%, and replacing hiring from 15 personnel with disabilities with the Special Employment Centres "European Green Protection SL", "Logic Information Technology and Supplies of Material Integral SL", "Celima Special Employment Centre and Development, SLU", "Fundación Juan XXIII" and "Group Sifu. "

For the present year 2020, at the date of preparation of this Report, the company Cartuja Inmobiliaria, S.A. It currently maintains 111 computable workers, which would be an obligation of having 2 disabled workers on staff that has been replaced by entering into a commercial contract with the Special Employment Centre “European Green Protection S.L.” and “Fundación Juan XXIII”.

For the present year 2020, at the date of preparation of this Report, the company Constructora San José, S.A. has a staff of 279 employees, which would mean the obligation to have, at least, 5 employees with disabilities on payroll, whereas the company has only 3 employees with disabilities and replaces the outstanding 2 employees with disabilities with contracts with Special Employment Centres: “European Green Protection S.L.”, “Lógica Informática y Suministros de Material Integral S.L.”, “Celima Centro Especial de Empleo y Desarrollo, S.L.U.” y “Fundación Juan XXIII” y “Grupo Sifu”.

Access to buildings for people with reduced mobility

Head Offices

At the rear of the building there is a reserved space for the parking of the vehicles of this staff. From that point they can directly access the elevators and an adapted toilet.

To access the auditorium and training rooms, a device (stair lift) has been installed.

Outstanding areas:

All areas are accessible.

SELECTION

Staff selection procedure aims to find qualified professionals who meet the requirements of the position requested in terms of training, experience, skills and competencies.

Recruitment takes place in collaboration with first-rate Universities and Training Centres and trough the incorporation of reputable professional which provide the Group with their experience and know-how.

Human resources selection policies are based on seeking, attracting, motivating and retaining talented people, with the aim of promoting excellence and a job well done.

The following are the channels used by Grupo SANJOSE for the search of candidates, which vary according to the profile of the location (national and international) as well as according to the degree of qualification required by the vacant position:

- Interns: Universities with which a framework agreement of collaboration between the Company and said University has been established.
- Managers and foremen: employment service web sites.
- University graduates without experience: employment service web sites, employment offices of universities, school.
- University graduates with experience: Employment service websites, Master’s Job Exchange (IE, IESE, ESADE, CEF, CUNEF ...), Official Schools, direct search, LinkedIn.

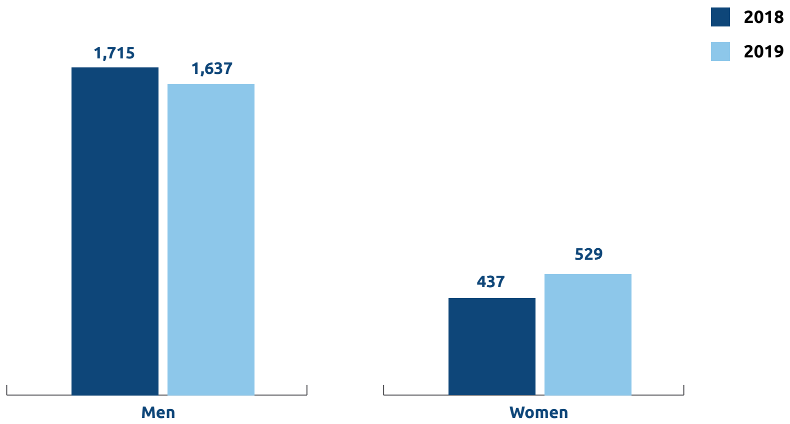
Similarly, in some vacancies, the use of internal resources is resorted to, and in some specific cases, internal promotion is preferred.

All the selection processes in Grupo SANJOSE are backed by the highest standards of professionalism and transparency in the treatment of the candidate, so we make sure that those candidates included in a selection process are always promptly informed of the steps to follow at each stage of the process:

- Recall of candidates.
- Personal interview(s).
- Psycho-technical tests.
- Technical interview.
- Decision-making.
- End of the recruitment procedure.

During 2019, Grupo SANJOSE conducted interviews with a total of 2,166 candidates among the different areas of activity of the Group where a vacancy has arisen, both nationally and internationally.

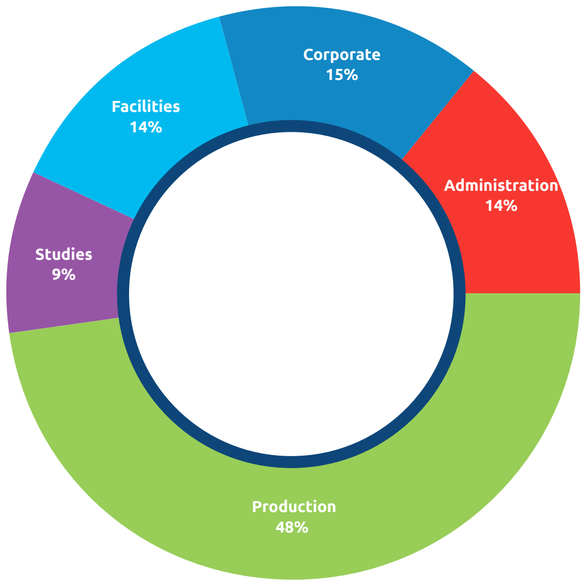
A total of 1,637 men and 529 women have taken part in recruitment procedures.



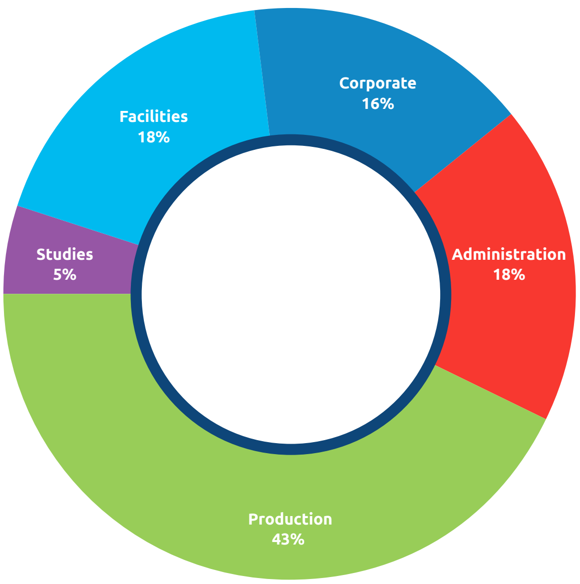
Participating candidates in selection processes by gender

The number of candidates interviewed in Grupo SANJOSE during 2019 has been 2,166, being the detail by departments as follows:

CANDIDATES IN THE RECRUITMENT PROCESS BY AREAS 2018

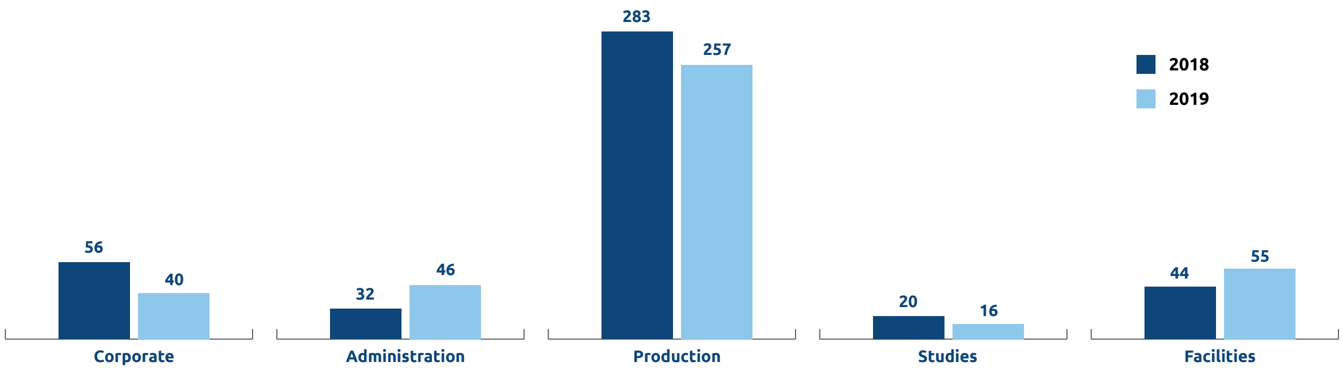


CANDIDATES IN THE RECRUITMENT PROCESS BY AREAS 2019

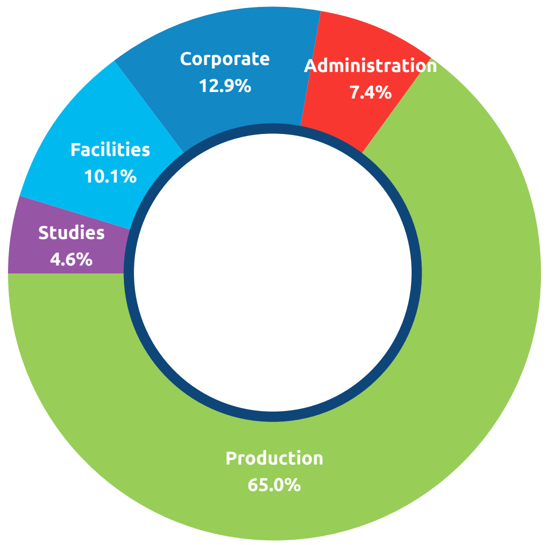


Likewise, the number of selection procedures closed in Grupo SANJOSE during 2019 has been 414, being the breakdown by departments as follows:

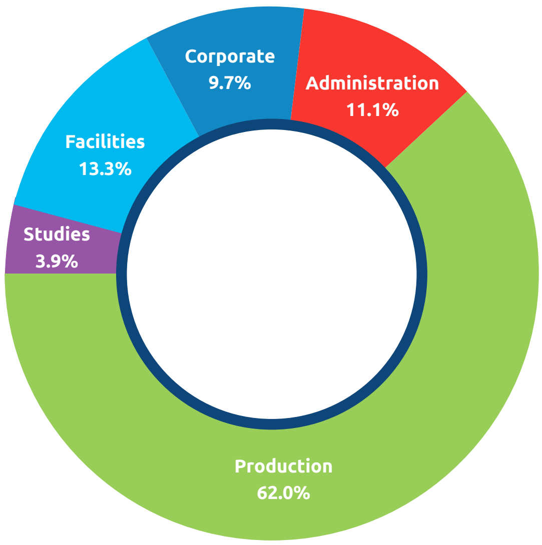
COMPLETED RECRUITMENT PROCEDURES



RECRUITMENT PROCEDURES BY AREAS 2018



PRECRUITMENT PROCEDURES BY AREAS 2019



For all staff incorporations carried out by Grupo SANJOSE, there is a welcome and reception programme.

The reception guide intends to provide new employees with information to know how the company is structured, and in this way facilitate their incorporation and integration into the organisation and make them part of the SANJOSE project, making them feel identified with the objectives of the Group , and that they consider their work essential, seeking how to bring the professionalism of each of them to our clients and interest groups, with responsibility, quality, efficiency and sensitivity.

All the employees of Grupo SANJOSE rely on the following tools to carry out tasks entrusted:

- Corporate ERP (management tool to control and analyse the different development procedures in the different business areas. It is a web-based tool, which provides greater agility in its management and availability in different supports.
  Access is restricted to authorised personnel of the company through a username and password, with different levels of authorisation depending on the degree of responsibility within the structure.

- Help Desk - To report on incidents, basic and obligatory tool of communication between users and the computer department, where to notify any issues that may arise in the workplace and / or the different systems or to check any doubts on a given process.
- Forum, from this website, the different areas of the company shall disclose guidelines and corporate procedures for the operation of the different systems.
- My data - Self Service, is a website for the management of corporate contact data, it also allows the management of passwords for the different systems, check contact data of the company's personnel.
- Email, tool for communication by mail, through the IBM LOTUS mail client, which will also be available via webmail. Provided with the IBM Sametime.

Each country has the responsibility to get in touch with the human resources department in the event of hiring needs. Through the tool included in the ERP of the Group under personnel request, fulfilling information related to the needs to be covered as well as the main tasks of the vacant position. Upon its filling, the selection teams start the search of candidates. By means of different searching channels (universities, business schools, social networks, etc).

TRAINING

The training provided is undoubtedly one of the most profitable investments, since it contributes to the potential increase of the Group through the professional and human improvement of its workers: capacity development, knowledge increase, improvement of skills and abilities.

This training project is necessary in order to ensure the update of workers and offer employees a guarantee of consolidation and promotion and professional development in the Company.

Grupo SANJOSE maintains a strong commitment to its employees to continuously improve their skills, abilities and their degree of responsibility and motivation, for which they launch annual training plans with the purpose of supporting and increasing the knowledge of teams.

To this end, Annual Training Plans are prepared based on the Operational Training Procedures, in which a detection of needs by business areas is carried out in order to adapt training plans to existing needs.

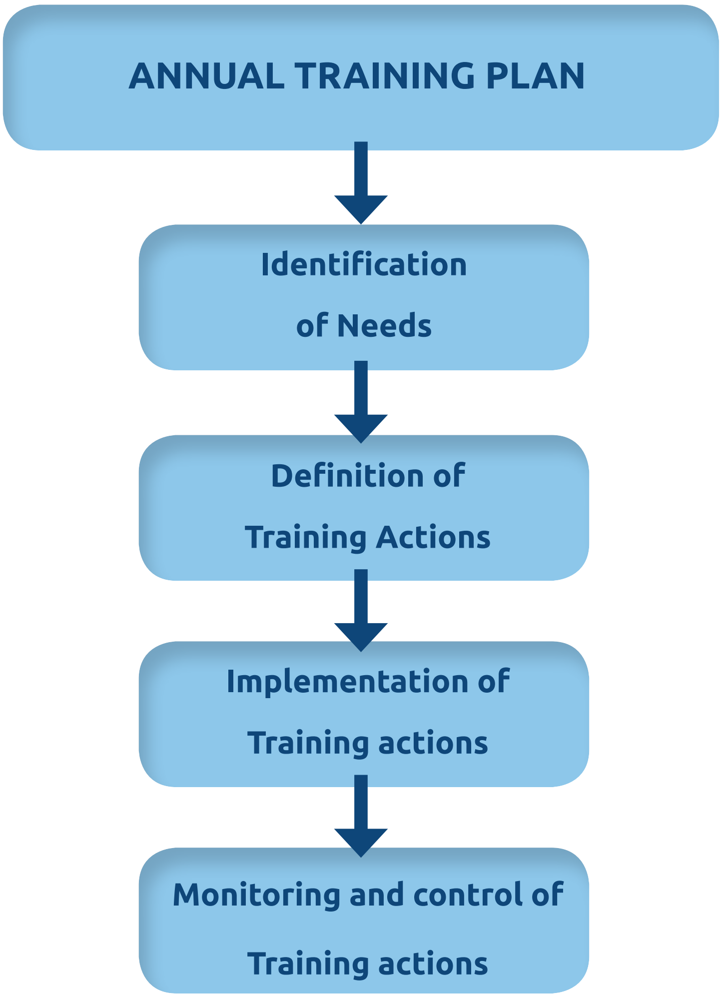
Annual Training Plans anticipates the needs of SANJOSE in order to adapt high technology to executed activities, develop personal and professional capabilities, boost the learning and improvement of languages for a global market, boost new technologies and safety, quality, R&D&I and environmental issues.

There are two types of training plans:

- Mandatory, which includes training in Prevention of Work Hazards, and training in Quality & Environment.
- Specific training, which includes other types of training that are necessary, but may be replaces by others that are emerging with a greater priority.

Further, it has ongoing training and skills development programmes, whose ultimate goal is to fill the gaps and training needs of employees identified during the year.

This specific training is tailored to the needs of each business, and ultimately, to the specific needs of each person.



The implementation of a new training model of initial training, addressed to all newly incorporated Technical staff, has taken place:

- Training on Accident Prevention and Health at work (60 hours).
- Training on Environmental Action (45 hours).

TRAINING ACTIONS	NO OF TRAINING ACTIONS	NO OF PARTICIPANTS	HOURS	WOMEN	MEN
Quality & Environment	34	83	187	18	65
Languages	127	147	8,238	37	110
Other training actions	58	521	7,113	79	442
Total	**219**	**751**	**15,538**	**134**	**617**

BUSINESS AREA	NO OF TRAINING ACTIONS	NO OF PARTICIPANTS	WOMEN	MEN	HOURS
Construction	206	713	132	581	13,715
Concessions and Services	8	29	1	28	1,206
Energy and Environment	1	1	0	1	33
Other (Group Structure)	4	8	1	7	584
Total	**219**	**751**	**134**	**617**	**15,538**

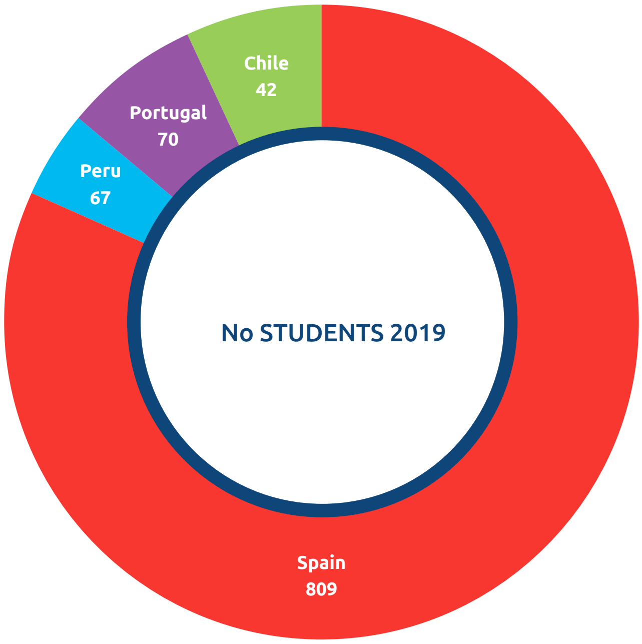
TYPE PROFESSIONAL	WOMEN	MEN
Management Team	2	7
Middle Management	6	29
Technicians	104	489
Clerks	12	9
Operators	10	83
Total	**134**	**617**

TYPE PROFESSIONAL	NO HOURS RECEIVED
Management Team	186
Middle Management	724
Technicians	12,269
Clerks	434
Operators	1,924
Total	**15,538**

JAS Training:

JAS TRAINING 2018		
Number of courses	Number of Students	Training hours
75	1,146	13,878

JAS TRAINING 2019		
Number of courses	Number of Students	Training hours
98	988	21,288



COURSES IMPLEMENTED	TOTAL JAS TRAINING HOURS IMPLEMENTED 2019
Risk Prevention in the office sector	108
Good preventive practices in the use of PVD	16
Good preventive practices in ergonomics	80
Good preventive practices in fires and emergency plans	372
Good preventive practices in cargo handling	172
Good preventive practices in biological risks	20
Good preventive practices in electrical risks	36
Good preventive practices in road safety	260
Mast forklifts with cantilever load up to 10,000 kg (type 4). Elementary	60
Health and Safety Coordinator	12,000
Recent Incorporation Technicians Course - Session 4 - Part 1: Safety Guidelines	72
Recent Incorporation Technicians Course - Session 4 - Part 2: PSS development on site	68
Confined spaces	4
Fire extinction and emergency	6
Fire extinction and first aid	32
Understanding ISO 9001:2015, ISO 14001:2015, ISO 45001:2018	81
JAS Elementary level	5,570
Operator of mobile personnel lifting platforms	460
Fire prevention and use of fire extinguishers	21
First level of training Permanent classroom or elementary level	16
First aid	123
First aid	516
JAS at job position Foreman	4
JAS at job position Site Manager	8
JAS at job position Operator of low voltage electrical installations	4
JAS at job position Maintenance personnel	114
JAS at job position Office personnel	4
JAS at job position Head of Administration	2
JAS at job position Surveyor	2
JAS for clerks on site	60
JAS for electricity, assembly work and maintenance of electrical installations	2
Procedures and techniques in work at height	144
Second training course on JAS: Clerks	20
Second training course on JAS: Masonry	56
Second training course on JAS:: Electricity. Assembly and maintenance of AT and BT installations	36
Second training course on JAS:: Electricity. Assembly and maintenance of AT and BT installations	92
Second training course on JAS:: Formwork	36
Second training course on JAS:: Assembly of tubular structures	120
Second training course on JAS:: : Operators of lifting devices	270
Second training course on JAS:: or plumbing workers and air conditioning installations	64
Second training course on JAS:: Vehicles and earthmoving machinery	84
JAS progression system of GRUPO SANJOSE	9
Progression and rescue technician in confined spaces	16
Safe work on scaffolding	24
Use and handling of portable fire extinguishers	24
Total	**21,288**

KNOWLEDGE PLATFORM (PHAROS PROJECT)

The development of a large training project began in January 2918, the "International Platform for sharing knowledge, for Grupo SANJOSE". During this time our motto has been and will be: "We want to reach everybody".

The new platform was implemented in August 2018 and until the end of 2018 113 users signed up in 113 courses, both at domestic and international level.

During 2019, users who have developed training through the aforementioned platform, and training hours have been:

PLATAFORMA PHAROS 2019					
PARTICIPANTS	WOMEN	MEN	HOURS TOTAL	HOURS WOMEN	HOURS MEN
548	139	409	28,454	6,186	22,268

PLATAFORMA PHAROS 2019						
TYPE	PARTICIPANTS	WOMEN	MEN	HOURS TOTAL	HOURS WOMEN	HOURS MEN
WATER AND ENVIRONMENT	281	54	227	12,645	2,430	10,215
ARCHITECTURE, BUILDING & URBANISM	13	4	9	590	175	415
ENGLISH	1	1	0	5	5	0
INFRASTRUCTURE CONCESSIONS	2	0	2	100	0	100
SMART CONSTRUCTION	66	16	50	7,169	1,201	5,968
ENERGY	1	0	1	65	0	65
PROJECT MANAGEMENT AND CONTRACT MANAGEMENT	12	3	9	685	155	530
MANAGEMENT & SKILLS	18	4	14	775	120	655
INDUSTY	4	1	3	180	50	130
CIVIL ENGINEERING	4	1	3	190	45	145
NEW TECNOLOGIES	11	0	11	470	0	470
SERVICES	4	0	4	405	0	405
SOFTWARE	131	55	76	5,175	2,005	3,170
	548	139	409	28,454	6,186	22,268

TYPE PROFESSIONAL	WOMEN	MEN
Management Team	0	6
Middle Management	0	3
Technicians	131	379
Clerks	8	20
Operators	0	1
Total	**139**	**409**

TYPE PROFESSIONAL	NO HOURS RECEIVED
Management Team	227
Middle Management	134
Technicians	27,238
Clerks	805
Operators	50
Total	**28,454**

It is a living platform that will be updated continuously, incorporating training programmes related to the sectors of activity of the company at domestic and international level that aim to complement the existing Training Plans in the company. The training will be available in Spanish and, depending on the course, the English version will be available.

The objective of this project is to provide all employees of GESJ in the countries where it operates with equal opportunities in the development of their careers. This platform offers the best opportunities to know: technological innovation tools, new constructive methodologies, as well as training skills, environmental management, sustainability, etc.

This platform offers:

- Degrees of Academic Institutions such as the Polytechnic University, University of Comillas, EOI (School of Industrial Organisation), UAX (University Alfonso X el Sabio), University of Isabel I, Institute of Engineering of Spain, etc .
- Constant update of contents.
- Regular incorporation of new courses demanded by the sector.
- Universal Access to all courses.
- Access for all employees of the organisation.
- Tutorials carried out by Experts (100 tutorials).
- Service for downloading and printing documentation in .pdf
- Download of Diplomas.
- Courses both in English and Spanish.

This project is being well valued, having had a great reception by the Company and its assessment is very positive.

Training entities

Fundación Laboral de la Construcción: Training entity dedicated to the Construction Sector in which work has been done to provide workers with the resources that make possible a more professional and trained sector, in terms of safety. Grupo SANJOSE during 2018 has continued with the Training Plan on Safety and Prevention, counting with numerous training actions developed by this entity.

ADEMI: During 2019, Grupo Empresarial SANJOSE has actively participated in the training designed by this Association, as well as in the Training Committee, where the associated companies exchange information, strengthening knowledge of the Sector in its different aspects, activities, providing modernisation and optimisation of procedures. All this, in order to improve the competitiveness of companies in an increasingly globalised world that requires a continuous adaptation to the demands of the market.

During this year we have used the Online English Platform EF (Education First) of international education worldwide, present in all countries. In this area, training adapted to each worker has been developed, offering blended training. This platform has established a research unit in the department of theoretical and applied linguistics at the University of Cambridge.

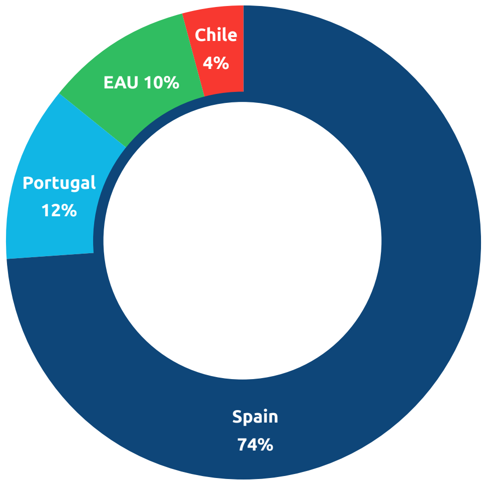
Depending on the type of courses required, we work with other entities such as Kursalia, Cualtis, Tecno-med, Inesem, HUNE, Structuralia, Manpower, Business Initiatives, CEF (Centre for Financial Studies), CIEF Group and sundry private schools of English that provided us with native teachers for the one to one classes.

INTEGRATION AND DEVELOPMENT PROGRAMME

This Integration and Development Programme aims to train and motivate professional profiles with limited experience in the position to be held. The business tutor is responsible for carrying out the semi-annual evaluation of the structure personnel in charge of the programme. The evaluation is applied in semi-annual periods during the two years of maximum duration.

The motivation is linked not only to the development of the professional but also to the salary increase proposed by his tutor in each of the evaluations carried out.

PARTICIPANTS WITHIN THE INTEGRATION AND DEVELOPMENT PROGRAMME



Note: The total participants in the group's integration and development programme amounted to 258, of which 31 corresponded to administrative staff (30 in Spain and 1 in Chile) and the rest to technicians.

PARTICIPANTS THAT CONTINUE WITHIN THE COMPANY

	TÉCNICOS	ADMINISTRATIVOS	TOTALES
Spain	122	26	148
Chile	6	1	7
EAU	10	0	10
Mexico	1	0	1
Portugal	29	0	29
	168	27	195
% initial	74%	87%	76%

SOCIAL BENEFITS

In order to maximise the net remuneration of workers, Grupo SANJOSE, through new alternative compensation formulas, provides workers with a series of social benefits, which allow employees to have more cash.

Through a series of services hired by the company, employees who adhere to this formula of social benefits, will save on these services the withholdings that the Treasury would perform on their salary since, by law, when a business organisation assumes these services for the benefit of their workers, these services are exempt from personal tax withholdings.

This type of remuneration policy is addressed and available to all staff members of the Organisation structure, from foremen to administrative officers, having the option to join the same since the moment of registration within the company and upon request and subsequent approval.

Grupo SANJOSE has the following Social benefits available to its workers:

- Lunch Ticket (Eden Red)
- Nursery Ticket (Eden Red)
- Transport Ticket (Eden Red)
- Medical Insurance (Sanitas)

With charge to the gross fixed remuneration, each worker will have access to one or several of the options indicated as social benefits, with those limitations that for each of the modalities the Law indicates and taking into consideration that the agreement salary cannot be reduce to opt for this new alternative remuneration policy.

EQUALITY PLAN & PLAN FOR THE PREVENTION OF SEXUAL HARASSMENT

Grupo SANJOSE declares its commitment to the establishment and development of policies that integrate equal treatment and opportunities between women and men, without directly or indirectly discriminating on the basis of gender, religion, race, or any other personal or social condition or circumstance, as well as in the promotion and implementation of measures to achieve real equality within our organisation, establishing equal opportunities between women and men as a strategic principle of our corporate and human resources policy.

In each and every one of the areas where Grupo SANJOSE operates its activity, from selection to promotion, through salary policy, training, working and employment conditions, occupational health, management of Working time and conciliation, we assume the principle of equal opportunities between women and men.

In compliance with Organic Act 3/2007, for the effective equality of women and men, there is a Plan for equality and prevention of harassment. Among the measures established in the field of equality, highlight:

- The effective application of the principle of equality between men and women, guaranteeing the same opportunities for access, professional development and working conditions.
- The commitment to sustainability and social responsibility, favouring a culture oriented to equal opportunities and the prevention of discrimination based on gender.
- Existence of channels that facilitate communication at all levels of the organisation regarding equality and harassment.
- The actions of information and sensitisation to the personnel in this matter.

The Company has a Protocol of Action in matters of harassment, which aims to establish action guidelines that identify situations that could involve sexual harassment, harassment based on sex and / or psychological harassment, since they involve violations of dignity, harmful to the working environment and generate undesirable effects on health, moral, confidence and self-esteem of people.

To this end, an effective and agile research procedure has been established and will be launched whenever one of these behaviours is reported. In this procedure, the confidentiality and protection of the identity of the people affected will be guaranteed, as well as that of all those involved in the process.

In order to guarantee the protection of the fundamental rights of a person, Grupo SANJOSE is committed to preventing and not tolerating inappropriate conduct of harassment at work, preventing the appearance of any behaviour that could be deemed as harassment in the workplace, and, therefore, any action or conduct of this nature is prohibited.

This protocol aims to establish a procedure to be followed when behaviours that may involve sexual harassment based on sex and psychological harassment occur within the organisation.

Complaints, if the case, shall be issued in writing, and submitted by e-mail to the address provided for such purpose available in the internal Forum of the company, or delivered by hand to the Harassment Officer of the group.

Employees lacking access to email, can phone the telephone number provided for this purpose, available in the company's internal forum.

Privacy, confidentiality and dignity of the people affected is protected; thus, a strict confidentiality will be maintained in all internal researches carried out.

There is a Harassment Prevention Committee in charge of verifying periods of pending compliance, providing innovations and suggestions and changes.

In the event of harassment, a series of corrective and disciplinary measures will be adopted, including the opening of a disciplinary file in accordance with the applicable disciplinary regime.

Relevant corrective measures will be taken in relation to situations of harassment, to ensure the health of all members of the organisation.

With regards to the protection of the victims, the appropriate measures will be taken, so that when the sanction imposed on the harasser does not entail the leaving of the company, the appropriate measures will be taken so that the harasser and the victim did not share the working environment.

False Complaints are also included in this protocol; if it is proven that there has been no harassment in the situation reported, because the complaint lacks justification and grounds, in addition to its presentation under bad faith by the complainant, the corresponding disciplinary measures would be adopted.

The corresponding disciplinary measures will also be adopted if reprisals or acts of discrimination occur on the complainant, the victim or any other person involved in the process, whether determined or not the existence of harassment in any of its modalities.

Notification channels

- Research file.
- E-mail.
- Telephone.

With regards to year 2019, no complaint regarding harassment has been recorded.

5

ENVIRONMENTSL, QUALITY AND SUPPLY CHAIN MANAGEMENT

5. ENVIRONMENTSL, QUALITY AND SUPPLY CHAIN MANAGEMENT

ENVIRONMENTAL SYSTEM

The preservation of the environment is a strategic objective of the Group.

Since 1999 the Grupo has maintained a firm commitment to the environment in continuous review and adaptation to needs and expectations of the society and the environment. The implementation of its environmental management model where it operates, in order to integrate business development, the generation of social value and environmental protection is a priority for the Group.

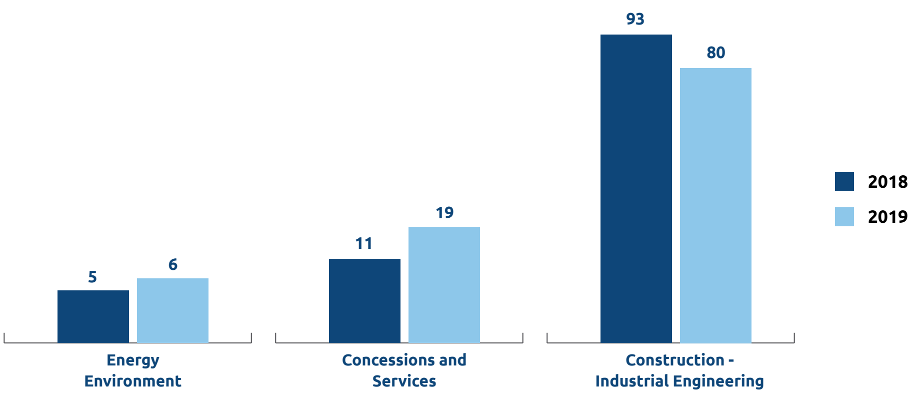
COMPANY	CERTIFICATE NUMBER
Constructora San José, S.A.	GA-2003/0398
Cartuja, S.A.U.	GA-2006/0028
EBA, S.L.	GA-2007/0371
Tecnocontrol Servicios, S.A.	GA-2007/0395
San José Energía y Medioambiente, S.A.	GA-2007/0395-002/00
Construtora San José Portugal, S.A.	GA-2009/0351
Construtora Udra, Lda.	GA-2011/0013
Sociedad Concesionaria San José Tecnocontrol, S.A.	BVCSG10072
San José Contracting, L.L.C.	GR17300267

In year 2019, a total of 105 audits were carried out (109 in year 2018), of which 76% (85% in yar 2018) were focused on the area of construction and industrial engineering.

SANJOSE has obtained recognition of its commitment to the environment through the certification of its management system in accordance with the requirements of ISO 14001: 2015, by accredited entities of recognised international prestige, such as AENOR International, Bureau Veritas or Gabriel Registrar.

These certificates are internationally accepted through the multilateral recognition agreements (MLA) signed between the accreditation entities.

NUMBER OF AUDITS



Note: Scope of the audit: Quality, Environment and Energy Management System: 102, R&D&I Management System 2 and Energy Services 1.

QUALITY MANAGEMENT SYSTEM

SANJOSE has as identity sign the continuous improvement of services and the adaptation to needs and expectations of customers, with the sole aim of achieving full satisfaction, are set as identifying signs of the company.

The result of this strategy is a quality, flexible and effective system appropriate to the business sectors of the Group, which provides the framework for setting and achieving improvement targets that result in the optimisation of services and adaptation to growing demands of customers.

Involvement, motivation and commitment of the entire Group with the overall quality is total. And this has been recognised through ISO 9001 certification awarded to the following Group companies:

COMPANY	CERTIFICATE NUMBER
Constructora San José, S.A.	ER-0510/1997
Cartuja, S.A.U.	ER-1363/1999
EBA, S.L.	ER-1170/2004
Tecnocontrol Servicios, S.A.	ER-1202/1998
San José Energía y Medioambiente, S.A.	ER-1202/1998-002/00
Construtora San José Portugal, S.A.	ER-0011/2002
Construtora Udra, Lda.	ER-0102/2011
Sociedad Concesionaria San José Tecnocontrol, S.A.	BVCSG10071
San José Contracting, L.L.C.	GR17300266

The Company is responsible for activities subsequent to the delivery of the work or termination of the service during the period of legal guarantee, contractual obligations, regulations or other commitments acquired by the Company. For this purpose, it has the necessary means to attend, monitor and resolve incidents and customer complaints both during the execution of the work and after the delivery of the work or the end of the service, establishing the necessary corrective actions. Customer claims are managed in the corresponding regional scope of action, locally managing each country or region the claims of its competence, not having consolidated information.

SUSTAINABILITY

SANJOSE's environmental management model focuses on its commitment to sustainable development and responding to increasingly demanding and sensitive social and environmental needs.

The Group has sound experience in the execution of works under sustainable construction principles: LEED, BREEAM, HQE AND PASSIVHAUS.

BIODIVERSITY

The effects on the natural environment, the conservation of biodiversity and the responsible use of natural heritage during the development of works and services is a strategic objective of SANJOSE.

The implementation of measures for the conservation of flora and fauna is one of the environmental criteria applied to operational control and planning of work, especially when they occur in areas of high ecological value.

Physical protection measures, transplant or transfer of vegetation and trees, as well as actions of respect to the life cycles of the affected animal species are incorporated.

In the projects that require it, the most significant impacts on biodiversity are contemplated in Environmental Impact Statements or equivalent figures according to the legal framework of the country, transferred to specific environmental monitoring plans applying the corresponding preventive, corrective and compensatory measures.

In 2019, activities were carried out together in total of 32.9 hectares of protected areas that correspond to project areas subject to the Environmental Impact Statement or equivalent figure, therefore identifying the possible environmental impacts associated with the project that can be generated, in order to ensure adequate prevention of them, while establishing effective correction or compensation mechanisms.

ENVIRONMENTAL PERFORMANCE

SANJOSE has a system of indicators that allow the continuous monitoring and environmental measurement of its activities through parameters for assessing the performance and effectiveness of the Group's Environmental Management System.

The Group's environmental management establishes the necessary resources and controls for the control of environmental risks, compliance with applicable regulations and the improvement of environmental performance.

In this way, an analysis and classification of environmental aspects and impacts produced during the execution of the works or the provision of the service is performed and it serves as the basis of operational control and the establishment of improvement objectives.

With regards to the identification of environmental impact, operational control procedures have been established and are replicated in all the countries where the Group operates.

Main environmental impacts of the Group are:

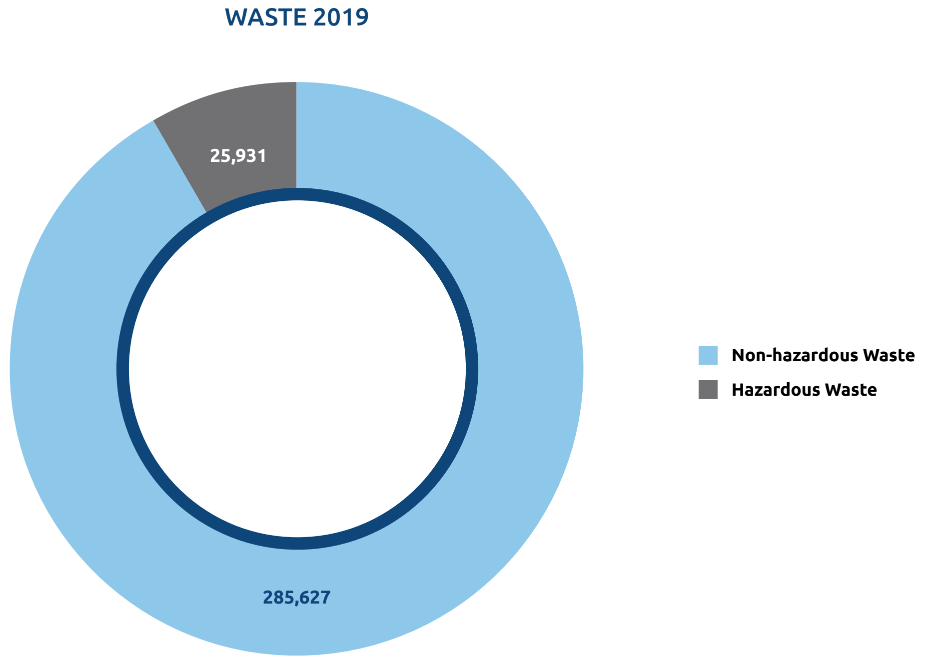
- Generation of waste.
- Atmospheric pollution: dust, noise, vibrations, etc.
- Decrease in natural resources: consumption of water, electricity, fuel, raw materials, etc.

In order to minimise the impact on the environment and improve our environmental behaviour, Among others, the following measures are established:

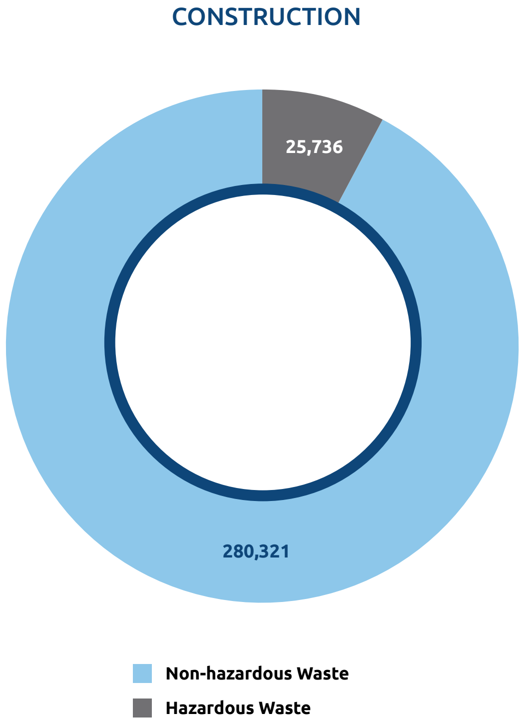
- Advance planning of activities.
- The implementation of good environmental practices.
- The provision of protection measures and reduction of environmental impacts.s.
- The establishment of operational controls, focused on the use of materials, reduction in the generation of waste, optimisation of consumption of natural resources and raw materials, protection of trees and plant species or protected fauna, training and awareness in environmental matters, etc.

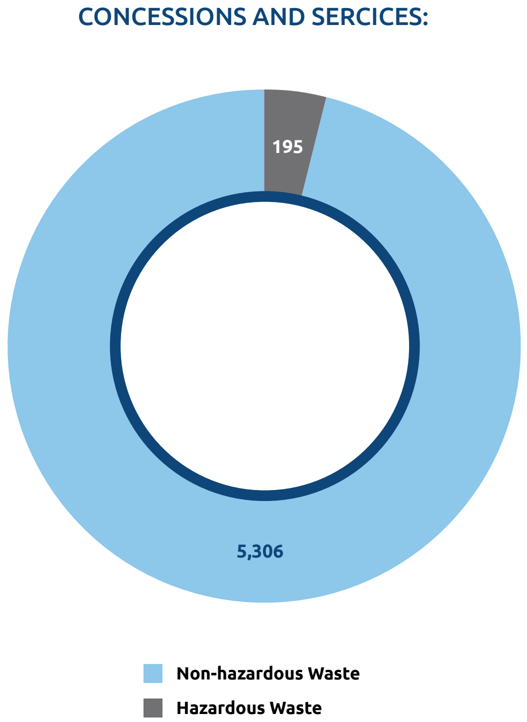
In this sense, one of the strategic objectives of the Group is the reduction of generation of waste, favouring reuse, recovery and recycling, promoting procedures aimed at preventing the generation of waste, correct segregation and treatment of waste and the development of R&D and investment projects focused on the use of recycled materials.

In year 2019, SANJOSE has managed a total of 311.6 tons (99.6 thousand tons in 2018) of waste, being the breakdown as follows:



Of this total, the distribution by activity area is as follows:

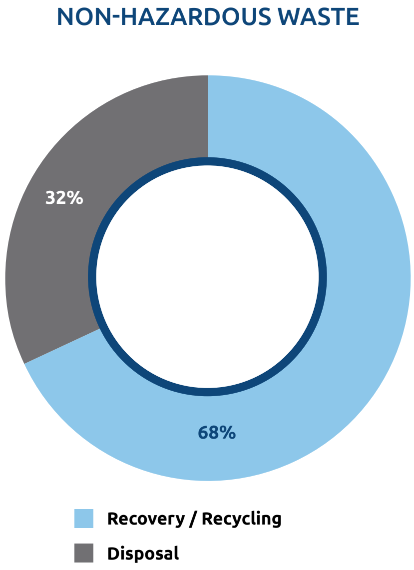


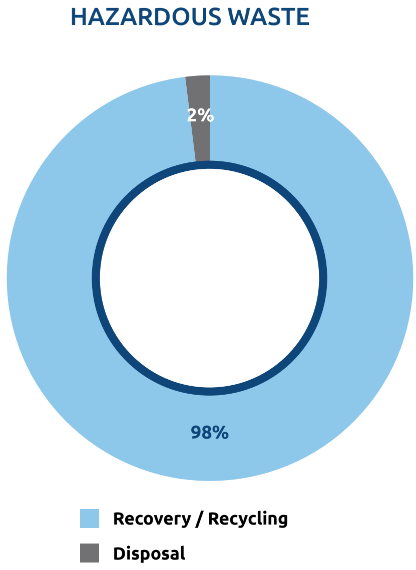


Treatment methods for this waste were the following:

	HAZARDOUS WASTE (TONS)	NON-HAZARDOUS WASTE (TONS)
Recovery/Reuse	25,488	194,151
Disposal	443	91,476
Total	25,931	285,627

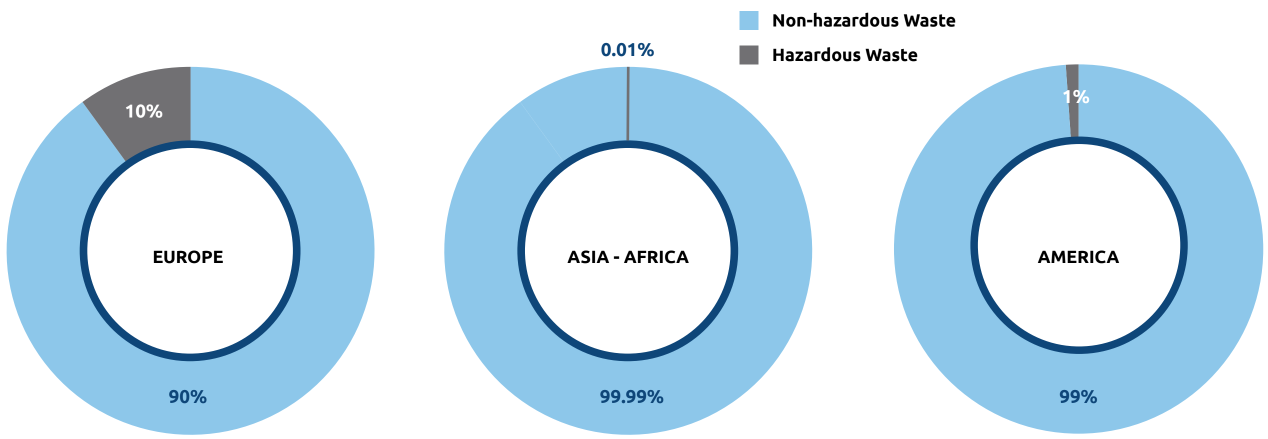
Note: Waste is managed according to the regulations in force in each country. Being delivered to managers or treatment plants, duly authorised, for recycling, recovery or disposal.





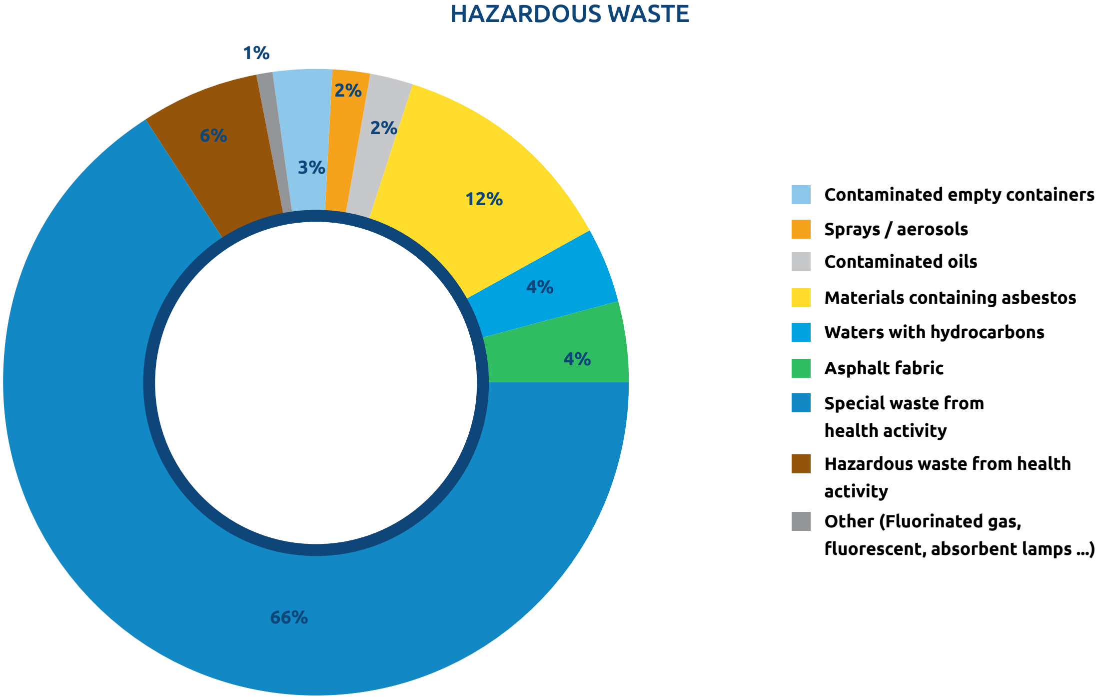
Distribution by geographic areas is as follows:

GREOGRAPHIC DISTRIBUTION	HAZARDOUS WASTE (TONS)	NON-HAZARDOUS WASTE (TONS)
Europe	25,740	238,461
Asia-Africa	1	34,306
America	190	12,860
Total	25,931	285,627



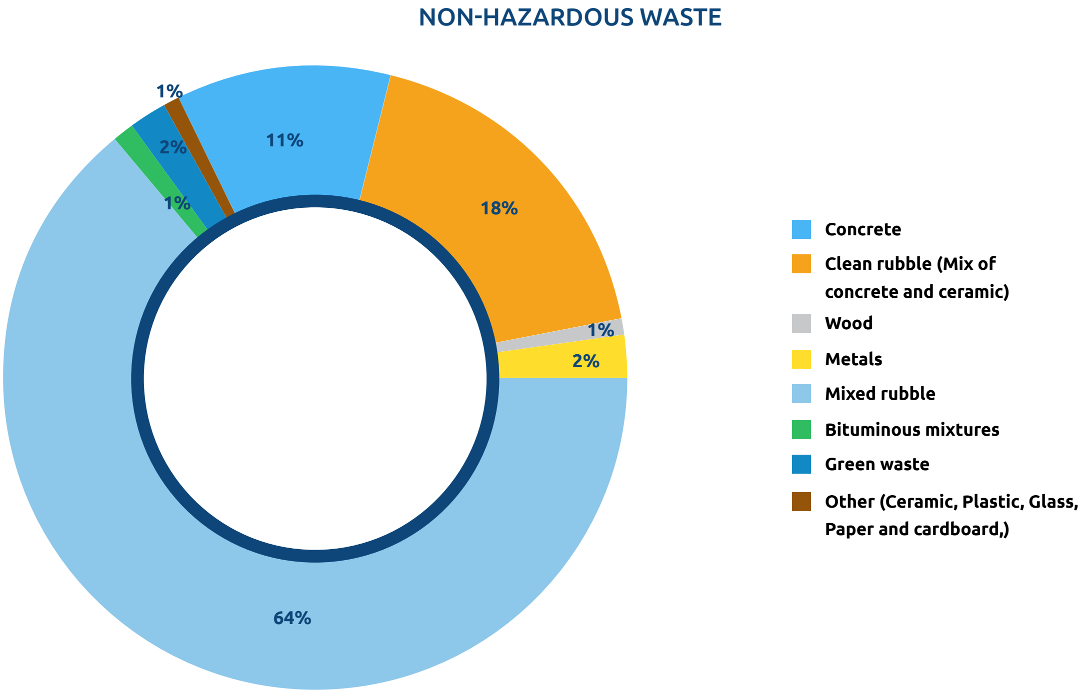
98.99% of total hazardous waste corresponded to contaminated land. Of which, 99.94% corresponded to the management of existing contaminated land (customer property), therefore not being a consequence of the Group's activity.

By type of activity, hazardous waste was distributed as follows:



Note: Waste from health activity corresponds to concession contracts in hospital facilities, which include the management of waste produced therein.

The breakdown of non-hazardous waste by type corresponding to the year 2019 is attached:



Note: Mixed debris is mostly delivered to treatment plants where the waste is subjected to segregation and recovery processes.

Note: Surplus excavation land and stones are excluded from the data presented above.

Waste is managed at national level not being transported to other countries.

SANJOSE's commitment to the circular economy does not end in the management of waste produced in its activities, covering the entire "life cycle" of the construction process.

The process begins from the study of the construction project, planning the space taking into account the current circumstances (situation, use, selection of resources and local suppliers, etc.), optimising the use of materials, minimising the production of waste and the consumption of natural resources, seeking alternatives for the use of industrialised construction elements, promoting the use of products that can be reused or recycled after use and providing for maintenance and possible deconstruction.

The responsible, efficient and rational consumption of natural resources are guidelines established by SANJOSE in the development of its activities. All employees are responsible for environmental performance within their professional performance and rely on two key tools, training and a specialised human support team. Thus, one of the strategic objectives of SANJOSE is to promote the ecological awareness of workers by involving them in the Group's environmental strategy.

In year 2019, SANJOSE has made the following main consumptions of raw materials for the development of its activity:

	UNIT	ASIA-AFRICA	AMERICA	EUROPE	TOTAL
Fillings / fillings with contribution	Thousands of T	24.27	1,442.83	939.68	2,406.78
Fillings / fillings consisting of on-site material	Thousands of T	65.18	68.09	2,115.,02	2,248.30
Concrete	Thousands of m^3	54.79	117.44	458.09	630.32
Rolled steel	Thousands of T	2.20	0.20	6.66	9.06
Corrugated steel	Thousands of T	4.11	11.99	38.34	54.44
Chipboard	Thousands of T	2.26	16.33	37.51	56.09
Natural stone	Thousands of m^3	3.35	1.80	5.14	10.29
Glass	Thousands of m^3	0.46	0.06	1.07	1.58
Wood	Thousands of m^3	2.02	2.02	8.81	12.85
Electricity consumed Fuel	Thousands of Kwh	2,989.21	5,154.97	4,172.91	12,317.10
Consumption Water	Thousands of l	4,355.15	4,414.98	1,430.20	10,200.34
Consumption	Thousands of m^3	124.02	122.49	226.81	473.32
Gas consumption	Thousands of m^3	0.00	24.53	5.01	29.54
Paper consumption	Thousands of T	0.01	0.01	0.03	0.05

Note: Consumptions from ST4 have not been included herein. (Central of Cold and Heat of the science and technology park of Cerdanyola del Valles, Barcelona), which have been considered in the Energy and Emissions section of this report.

SUPPLY CHAIN

In accordance with the internal purchasing policy, all Group suppliers are subject to a rigorous selection and assessment procedure based, among others, on criteria of sustainability, technical feasibility, etc.

The Group strengthens environmental criteria such as the use of materials manufactured with recycled raw materials as well as recyclable products, the contracting of services with recognition of environmental management, or manufacturing processes that respect the environment.

The relationship, management and control over the suppliers and subcontractors with which it works is of vital importance for the SANJOSE Group, so to be able to formalize a purchase or subcontracting it is necessary that the supplier or subcontractor has previously passed an approval, since the Work or supplies to be carried out will have a direct impact on the good execution of the project.

Once the suppliers and subcontractors have worked in the Group and have fulfilled the requirements of price, term, environmental commitment and quality in the works or services that they have executed, Grupo SANJOSE considers that the loyalty of the good suppliers and subcontractors is essential to ensure that present and future works reach their objectives of term, quality, environmental commitment and profitability.

In an analysis of the most important contracts that represent approximately 35-40% over the total contracts, it has been proven that there is a very significant loyalty.

87% of the most important contracts with suppliers and subcontractors are companies that have previously worked with Grupo SANJOSE.

TOTAL GRUPO SANJOSE	
Number of contracts	243
New contracts	31
Repetitions	212
PERCENTAGE OF CONTRACTS REPEATED	87%

RELATIONSHIP CLIENTES AND SUPPLIERS

The company has established two communication channels on the Group's website, through which both clients and suppliers can contact the company. The reception and control of emails is managed by a company director who redirects them to the business line involved.

In 2019, no communication was detected through these channels.

However, the different lines of business have directly received incidents since, pursuant to the company's policy, customer service is direct and efficient.

- In year 2019, a total of 9 incidents were received, of which 6 have already been closed at the date of preparation of this report and the outstanding are being solved out.

ENERGY AND EMISSIONS

The Group is committed to the efficient use of energy for the development of its activities by boosting the necessary mechanisms so as to constantly improve energy performance.

SANJOSE designs and executes integral solutions adapted to customers' needs in order to guarantee the maximum energy efficiency of facilities, ensuring and developing sustainable energy solutions capable of reducing the consumption of energy and optimising its reuse. In turn, it promotes the use of renewable energies, both for its activity and its clients.

As a result of this business commitment, the Group has developed its own know-how in the field of energy efficiency that has been successfully implemented in the numerous projects executed. This methodology is complemented by the numerous accreditations, homologations and certifications obtained by companies of the Group as well as its professionals, which allow to guarantee the fulfilment of objectives with the highest quality, in strict compliance with current regulations. Among others:

- Energy Services Provider according to Royal Decree 56/2016 as of 12 February and registered in the List of Energy Services of IDAE, Registration Numbers: 2016.-01152, 8.3, 2016- 01153-E and 2016-01154-E.

- Energy Services Provider according to standard UNE, 216701.

COMPANY	CERTIFICATE NUMBER
Constructora San José, S.A.	GE-2013/0010-002/1
Tecnocontrol Servicios, S.A.	GE-2013/0010-001/1

- Energy management systems according to standard UNE-EN ISO 50001.

- Certified professionals in measurement and verification of savings (CMVP).

- Professional installer license.

Grupo SANJOSE is a member of the board of directors of prestigious associations in the field of energy efficiency and renewable energy, such as AMI or ADHAC, and collaborates with public and private entities in the dissemination and development of the same.

SANJOSE works on the research and development of sustainable energy solutions capable of reducing the consumption of energy and optimising the use of clean energies by the application of avant garde technologies.

Grupo SANJOSE assumes efficient energy management as a differentiating factor. Therefore, it annually establishes objectives and energy efficiency measures that are audited annually and verified by means of a verification and measurement protocol.

These measures focus on the facilities of the object building (air conditioning, lighting, etc.) as well as on the operation and maintenance.

It also performs global audits every 4 years in compliance with Royal Decree 56/2016, taking appropriate measures and communicating the results to the Administration.

On the other hand, it promotes energy efficiency, production and acquisition of green energy with a certificate of origin in third-party facilities and implements improvement measures that result in the energy performance of the facilities subject to the contracts.

Similarly, SANJOSE is committed to the prevention and minimisation of greenhouse gas emissions, noise emissions and other possible discomforts derived from activity such as light pollution.

Among the actions aimed at preventing and reducing them, highlight:

- R & D and Innovation actions aimed at reducing acoustic impact during the execution of works.
- Replacing conventional lighting with more efficient systems that minimise light pollution in work centres.
- Study and execution of works under standards of sustainability and almost zero energy consumption buildings nZEB (Nearly Zero Energy Buildings).
- Promotion of the use of electric vehicles and / or low emissions.
- Training and awareness programmes in this reference area.
- As can be seen in the following table, the emissions for the year 2019 amounted to 29,792 tons of CO_2. The emissions of the energy supplied amounted to 21,760 tons of CO_2.

GLOBAL EMISSIONS				
TNCO$_2$	ASIA-AFRICA	AMERICA	EUROPE	TOTAL
Electricity consumed	232	1,390	4,525	6,147
Natural gas consumed	-	59	23,335	23,394
Fuel consumed	49	9	96	154
Refrigerants	-	-	97	97
Supplied electricity	-	-	18,045	18,045
Supplied heat	-	-	885	885
Supplied cold	-	-	2,830	2,830
Total TnCO$_2$ net emissions				**8,032**

Sources for emission factors.

https://emissionfactors.com by Ecometrica based on IEA

Document of the OECC year 2017. Ministry of the Environment of Spain

United Nations Framework Convention on Climate Change Program CDM

IPCC (International Panel of Climate Change), revision 4

The emission factors for electricity contemplate the different energy mixes of each country and, therefore, are different in each region.

The emission factors for natural gas are also different for each country and depend both on their nature and on their distribution and storage network.

The emission factors for fuels and refrigerants are inherent in their nature.

As of the date of the report, there are no data on emissions related to international office refrigerants that will be incorporated in subsequent reports.

R&D AND INNOVATION

SANJOSE is fully committed to technological development and innovation. Key elements for the competitiveness of the company, driving progress and being able to offer more effective solutions adapted to real needs of its customers and society.

R&D and investment is a priority of all business areas of SANJOSE. In this sense, a commitment has been made from the Top Management and an organisational structure has been developed so as to promote the generation of ideas and the most innovative practices.

R&D&I policy focuses on enhancing the generation of new technology to construction activities, highlighting applied technology, optimisation of resources and procedures and seeking continuous improvement and efficiency. Among the technology areas, highlight the following:

- Technology applicable to construction works.
- Durability and safety of construction works.
- New materials and execution procedures.
- Renewable energy and energy efficiency.
- Industrial automation.
- Specialised maintenance services of facilities.
- Preservation of the environment, etc.

Among the initiatives developed by the Group, highlights the R&D&I project for an automated and fixed detection and dissipation system for fog precipitation on hydrometic data. The method designed by GSJ Solutions and proposed by SANJOSE Constructora to the Ministry of Public Works for solving out the issue on the A-8 Highway of the Cantabrico running through Alto do Fiouco, in the province of Lugo, is frequently affected by dense and persistent fog with very specific characteristics that seriously affect visibility during a 4-km-long stretch. Said highway has an annual intensity of more than 1,600,000 vehicles.

The system has been patented for use on motorways and railways, as well as airport infrastructure. This method consists of the dissipation of fog by means of an automatic diffusion system by sprinklers / diffusers of a hygroscopic material, which agglutinates water droplets in the air, giving rise to others of greater size and that by this greater size precipitate in the form of rain or snow, all lodged in a fixed structure along the roadways. For the arrangement of diffusers, a lightweight pergola (it only has to support its own weight and that of the diffusers) with sufficient clearance for the passage of vehicles, with a section equivalent to that of a road tunnel, is executed. The installation of the hygroscopic material contribution will be fully automatic.

Another relevant project is the so-called Inovwall. Its objective is to develop an innovative production technology with a view to the industrialisation of a multifunctional stone wall system, which consists of the interconnection of a set of modular panels and their fixation to the structure of the buildings. The modular system must respect all the technical and functional requirements of an exterior wall, have a high aesthetic / architectural value and demonstrate physical, mechanical and durability characteristics compatible with the sundry intended applications

Likewise, Grupo SANJOSE has projects in the area of R &D and investment related to the construction activity, which have been financed by the CDTI (Centre for Industrial Technological Development), included in the Law on Science, Technology and innovation as the financing agent of the General State Administration of business R&D and investment.

It is worth highlighting the following projects of Grupo SANJOSE that have been financed with funds from CDTI:

PROJECT NAME	PROJECT NO	FINANCING ENTITY
Selection and assessment of potential native xerophilous species in gardens under mediterranean climate conditions	IDI-2010-0256	CDTI
Research on the structural behaviour of granular layers that make up a firm based on moisture	IDI-2010-1292	CDTI
Acoustic insulation system using tubular screens based on the Kundt effect	IDI-2010-1737	CDTI
Use of recycled products in civil works	IDI-2011-0109	CDTI
Automated and fixed detection and dissipation system for fog precipitation on hydrometic data	IDI-2015-0870	CDTI

Other projects in which the SANJOSE Group has been immersed in the R&D area have been the following:

PROJECT NAME	COMPANY CERTIFYING
Development of new anchoring systems for facades	EQA
Tunnel pumping test development in high permeability terrain	EQA
Research and Development in ecological and landscape restoration	EQA
New special curtain wall developments	EQA
Development of new energy efficient systems for sustainable buildings	EQA
Efficient thermal and PV solar plants minimising the environmental impact	EQA

SANJOSE aims to provide value in each project and positively impact society in terms of quality, sustainability, efficiency ... For this, it promotes the sustainable origin of raw materials, optimises resources, boosts the respect for the natural environment, reuse, recycling, and projects capable of reducing consumption, innovating in areas such as energy efficiency, the rational use of water, new construction systems, management models, materials, valuation, etc.

The R&D&I system implemented has obtained recognition trough the certification of UNE 166002 standard.

COMPANY	CERTIFICATE NUMBER
Constructora San José, S.A.	IDI-0056/2010
San José Energía y Medio Ambiente	IDI-0055/2010

6

HUMAN RIGHTS

6. HUMAN RIGHTS

For the Group, it is essential to have solid, transparent ethical principles and apply them in each action and market.

SANJOSE assumes as own the 10 principles of the United Nations Global Compact, based in turn on the Universal Declaration of Human Rights, the Declaration on principles and Rights at work, International Labour Organisation, the Declaration of Rio on Environment and Development and the United Nations Convention against Corruption:

- To support and respect the protection of internationally proclaimed human rights in the international arena.
- To make sure they are not complicit in human rights abuses.
- To respect freedom of association and the effective recognition of the right to collective bargaining.
- To eliminate all forms of forced or compulsory labour.
- To effectively abolish child labour.
- To eliminate discrimination in respect of employment and occupation.
- To support preventive methods with respect to employment and occupation.
- To undertake initiatives to promote greater environmental responsibility.
- To encourage the development and diffusion of environmentally harmless technology.
- To work against corruption in all its forms, including extortion and bribery.

SANJOSE understands the Corporate Social Responsibility as its commitment to the welfare of society and people. It is a key element of business strategy and a differentiating item which has been in continuous development since its foundation. This commitment is materialised as follows:

- Maximum attention to people, to the quality of their working conditions, equality and training.
- Work Risk Prevention as company culture, especially preventive at all hierarchical levels of the Group.
- Respect for diversity and creation of a policy of equal opportunities and personal and professional development.
- Commitment to sustainable development and greater respect for the environment, avoiding any possible pollution and minimizing waste generation.
- Public Vocation and wealth. Understanding of R&D&I and the quality of products and services as the GSJ contribution to improve the social, economic and environmental development of the regions or countries where it operates.
- Implementation of formal procedures and open dialogue with all stakeholders.
- Transparency policy.

In 2019, no complaint has been received in the Organisation for cases of violation of Human Rights

7

ETHICAL MANAGEMENT AND REGULATORY COMPLIANCE

7. ETHICAL MANAGEMENT AND REGULATORY COMPLIANCE

The Group has an Organisation and Management Model for the Prevention of Crimes that has as main objective to institutionalise the corporate ethical culture implemented in the Group, which is aimed to regulatory compliance and the development and improvement of corporate social responsibility.

During the 2019 financial year, no complaint has been produced, so the intervention of the Surveillance Authority in relation to the areas mentioned below has not been necessary:

- Urban crimes.
- Environmental crimes.
- Offenses of corruption and transnational bribery.
- Bribery crimes to officials.
- Influence trafficking crimes.
- Crimes against worker's rights.
- Crimes of discovery and revelation of secrets.
- Hacking.
- Scam.
- Crimes of manipulation of market prices.
- Offenses of improper use of privileged information.
- Money laundering.
- Offenses against the Treasury Department.
- Offenses of breach of accounting obligations and falsification of financial information.
- Offenses of alteration of prices in public calls and auctions.

CODE OF CONDUCT AND ANTI-CORRUPTION POLICY

In order to establish professional, ethical and responsible behaviour guidelines and to establish a system for monitoring their implementation and the identification of possible irregularities, SANJOSE has a "Code of Conduct" and an "Anti-Corruption Policy" of mandatory compliance for all Directors, officers and employees.

SANJOSE's Code of Conduct and Anticorruption Policy include the basic principles that should guide the activity of the Group and each of its companies and professionals, regardless of the activity they carry out, the country where the registered office is and where they develop their activity.

The Group has an Internal Surveillance Authority (who maintains a fluid and constant communication relationship with the Board of Directors) to oversee the proper operation and compliance with the principles defined by the Group, the Company.

Both the Code of Conduct and the Anti-Corruption Policy of Grupo SANJOSE are published in full on its website – www.gruposanjose.biz – - for the knowledge of its professionals, stakeholders and all third parties whom it interacts with.

The Organisation and Management Model for the Prevention of Crimes contemplates, as a basic pillar to ensure an adequate culture of compliance, the existence of a series of tools, guidelines, protocols and procedures implemented by the Group, that minimise the risk of default. It is worth highlighting the existence of computer control tools implemented in the Group, especially the corporate ERP. It is a computer system devoted to the management and planning of resources and business activities. It provides a complete computer system that, among others, includes the management of human resources, the planning and control of financial resources, commercial management, the complete management of works and projects, etc. Specifically, it provides a powerful support for the registration of financial information and management of documentation, ensuring an adequate and complete system of registration, documentation and approval of transactions.

- The ERP is an essential tool for internal control system of non-financial information.

The body in charge of analysing potential events of default and propose, if necessary, corrective actions and / or sanctions is the Surveillance Body. It is an internal body responsible for supervising the performance and compliance of the Model through the execution, among others, of the following tasks:

- To review of the adequacy of the Model and its update whenever deemed appropriate.
- To disclosure and disseminate the Model and to supervise the training activities carried out.
- To receive and manage complaints received through the Whistleblowing Channel.
- To address internal review procedures that are carried out whenever there is any indication of wrongful act.
- To report to the Board of Directors.

The Supervisory Body is appointed by the Board of Directors, following a report from the Appointments, Remuneration and Good Governance Committee, and enjoys full autonomy and independence to carry out its functions. Its components include the figure of the Compliance Officer, who is responsible for leading the actions entrusted to the Surveillance Body.

MONEY LAUNDERING

Grupo SANJOSE is subject to and applies the regulations on the prevention of money laundering. In compliance with this regulation, the acquisition, conversion and transfer of

goods of illicit origin, the acts of concealment, the provision of aid to avoid the legal consequences of illegible acts, and the concealment of the true nature, origin, location, destination, movement or rights over goods or property thereof, knowing their illicit origin are strictly forbidden.

To guarantee the effectiveness of these prohibitions, all administrators, managers and employees of Grupo San José must apply internal regulations on the prevention of money laundering and financing of terrorism.

DATA PROTECTION

Grupo SANJOSE requires its directors, executives and employees to comply with the current regulations on the protections of data, intellectual and industrial property, protecting the confidential information entrusted by customers, employees, candidates in selection processes or by other third parties. In compliance with this requirement, all directors, managers and employees of Grupo San José must keep the strictest confidentiality on all information to which they have access as a result of the performance of their professional activity. Grupo San José has adopted the corresponding Security Documents that contain technical and organisational measures to guarantee the security of personal data and to prevent the alteration, loss, treatment or unauthorised access of the same. All personnel involved in processing of personal data must respect the contents of the Security Documents.

PREVENTION OF OCCUPATIONAL HAZARDS

SANJOSE boosts preventive training of all its employees and compliance with any applicable regulations on the prevention of risks that may affect the health and safety of workers.

The Occupational Management System implemented for many years in the company is revised annually and certified under OHSAS 18001 and reflects the reality of the prevention policy throughout the corporate structure. This system includes Tecnocontrol Servicios S.A., Eraikuntza Birgaikuntza Artapena, S.L. (EBA), Cartuja Inmobiliaria, S.A.U. and Constructora San José S.A.

Prevention is an essential tool to protect against risks that may affect the health or safety of people and SANJOSE invests it in their professionalism and adequate training, aware that their employees are their most valuable asset and that their protection is a priority objective.

In year 2019, the accident rate corresponding to Spain, Chile, Portugal, Cape Verde and Peru has been as follows:

- 84 accidents without medical leave.
- 88 minor accidents with medical leave.
- 13 accidents with medical leave in itinere.
- 2 severe accidents.
- 0 mortal accidents.
- 1 accident due to professional illness.

Incidence rate 47.02.

Severity rate 0.62.

Accidents by gender:

- Men: 96.30%
- Women: 3.70%

Regarding the Joint Prevention Service of the construction area in Spain, which covers a total of 1,362 people (1,225 people in 2018). During 2019 the following preventive activities have taken place:

- Review or update of risks assessment 827 affected employees (60 in 2018).
- Planning of preventive activity 827 affected employees (60 in 2018).
- Emergency plans 827 affected employees (60 in 2018).
- Planning of the individual Health Surveillance 1,362 affected employees (1,225 in 2018).

TRAINING IN COMPLIANCE

Grupo SANJOSE reaffirming its commitment to compliance with regulations and the observance of ethically correct behaviour as the core of its business activity, agreed as of 12 May 2016 on a Model of Organisation and Management for the Prevention of Crimes, a set of elements, that the organisation adopts so that its members, in all business activities, do what the rules require and do not do what the rules prohibit.

And, in order to ensure the correct implementation of the Model, Grupo SANJOSE wants to make sure that the principles and contents of the Model are sufficiently known. For this reason, the Surveillance Body has delivered to the Group's staff specific training related to five key elements of the aforementioned Model of Organisation and Management for the Prevention of Crimes, such as:

- The Code of Conduct
- The Anti-Corruption Policy
- The Supervisory Board
- Whistle-blower Channel
- The Disciplinary Action

The viewing of such training and the commitment to the rules of action explained in it are mandatory for the members of Grupo SANJOSE, given the relevance they have to inculcate a true culture of compliance within the organisation.

During 2019, all staff members received training un this issue; likewise, all additions to the Group have attended training on the same.

HEALTH AND SAFETY

The company guarantees to all its workers, the monitoring of their state of health based on the risks inherent to the workplace, for this purpose it carries out regular medical examinations on an annual basis, as well as for all the new incorporations that take place in Grupo SANJOSE.

WHISTLE-BLOWER CHANNEL

The directors, officers and employees of the Group shall inform the Supervisory Body of any fact that may constitute an offense or breach of the Model and the controls which the Model refers to (Code of Conduct, Anti-Corruption Policy, and other tools, guidelines, protocols and internal procedures), including those related to aspects of a financial or accounting nature.

For reporting allegedly unlawful acts or non-compliance events (including irregular conduct of a financial, accounting or any other similar nature) the complainant may use any of the following channels:

- By email, at the address established by the Group for these purposes.
- Through a personal interview or telephone conversation with the Compliance Officer.

Regardless of the formula chosen by the complainant, the Group fully guarantees the confidentiality of the identity of the complainant.

The Compliance Officer will perform the instructional activities deemed appropriate to assess, analyse and resolve the complaints that arise, relying, always within the total and absolute confidentiality and discretion, on internal and / or external experts.

With regards to irregularities of a financial and accounting nature, the Supervisory Body will adequately inform the Audit Committee.

During year 2019, no claims have been received.

8

COMMITMENT TO SOCIETY

8. COMMITMENT TO SOCIETY

SANJOSE intends to create a positive impact on society and facilitate the day to day of people with each project developed. Boost growth, provide added value in a responsible and sustainable manner and help day-to-day activities of people and society.

- Promotion, design and execution of more than 5,500 social housing units in Peru. SANJOSE is executing top quality affordable important social housing developments under the framework of the My Home Programme which provides home purchase assistance to thousands of families in LATAM. The Group is currently promoting and building an important urban development in Lima, the new Nuevavista Condominium, with 1,104 housing units, in the Bellavista district, emphasising that during the 2019 period stages I and II of the project have been delivered (72 and 128 homes respectively) and the works of stages III and IV that are estimated to be available for delivery during 2020 are continued.

  The Group also developed and delivered 1,392 housing units of the Condominio del Aire (already sold in its entirety); and 3,072 housing units of the Parques de la Huaca Condominium (already sold in their totality), and in which the restoration and enhancement of a Huaca (archaeological remainder) of 3,651 m2 was sponsored in close collaboration with the National Institute of Culture.

- Training programme on Quality and Risk Prevention plans in several countries of Asia, Africa and LATAM.

- In India, training programmes on safety, environmental, risk prevention issues, etc. are being developed in order to improve sociocultural conditions of local workers, such as on sexually transmitted diseases or risks on heavy alcohol intake.

- Environmental and revaluation studies carried out on sustainable cattle and farm developments in Paraguay.

- Full commitment to energy efficiency and the use of renewable energies, as well as collaboration with public and private entities for the dissemination and development of them.

- Implementation of important sustainable measures on civil works in India, in order to ensure the preservation of local fauna and flora minimising the impact on the environment.

- Collaboration with Fundación Manantial, a non-profit organisation founded in 1995 that serves more than 2,000 people a year, which aims to provide comprehensive care to people with severe mental disorders and specially to give an effective response to issues related to their social and labour situation.

- The European Union has ruled that the continuous exposure to radon poses a serious risk to health, in fact exposure to this gas is the second cause of lung cancer after smoking. Radon is present in granite areas around the world, which are very abundant in Galicia (second European producer of granite and fifth in the world). The gas expands and can be found in areas of mountain water that are not treated and in rocky soils. This causes the radon gas to be found in rural Galicia.

  - SANJOSE is working with various research and technology organisations to create an association that will be launched in 2018 to carefully study and find innovative solutions to this issue. The main objective of the project is to reduce levels of radon concentration and make them within the appropriate thresholds so that it is not harmful to health and remains below those allowed by state, local and EU legislation and regulations.

During 2019, Grupo SANJOSE has continued to carry out and participate in solidary actions, among which highlight:

PERU

Participation in projects to support children in the community of Conduriri Municipality (Peru), during the Christmas holidays, through collaboration in the purchase of gifts, purchase of biscuits, chocolate and milk, donation of toys, etc.

INDIA

Participation in the project "Training programme for the promotion of the quality of life of poor women and girls" to be carried out in the Delhi area - NCR and other parts of India and to be carried out through the AK Mishra Foundation (AKMF), this programme will favour the integration of 100 girls and women within the age group 18-40 years.

- The programme will design a way to provide extensive technical and business training in 3 trades: custom cutting and tailoring, embroidery and lace, and fashion design for women and girls, so they can access different trades and obtain the adequate training to obtain employment and self-employment in nearby cities and metropolitan areas.
- The majority of young people in different parts of India, including women and girls, lack employment, education and job training of any kind. The main reason for this is the lack of technical and business skills. Poverty also influences the sense that they cannot afford the cost of technical education and, in addition, the area lacks the educational facilities necessary to improve the quality of life of its inhabitants. The situation becomes desperate due to the non-implementation of the programme by the state and central government. Poor youth cannot access a source of empowerment and self-employment in order to raise their socioeconomic status and get rid of the curse of poverty and therefore tend to get involved in antisocial work.
- The skills development training programme has been designed in such a way that it provides extensive technical and business training to unemployed women and girls. This will allow them to train in different trades and access empowerment and self-employment in different parts of the country. Training in different potential trades has tremendous scope for the empowerment and self-employment of the beneficiaries. The demand for these trades is increasing at a very rapid pace, creating a great demand for personnel. Therefore, it is expected that after completing the training programmes, the young women trained will obtain adequate employment in large and small cities and thus improve their socioeconomic status.

Participation in the project "Proposal for educational support for poor students from state and private schools in Delhi-NCR and Jharkhand State".

- The AK Mishra Foundation (AKMF), which will develop this programme, presents this proposal to support poor students and for a better education and quality of life. The programme is expected to reach more than two thousand beneficiaries.
- The Foundation wishes to provide poor students with free educational materials, such as books, uniforms, bags, shoes, pens, pencils, geometry boxes, notebooks, erasers, water bottles, lunch boxes and notebooks.
- Education is recognised as a fundamental right, along with other needs, such as food, housing and water. Education allows people to make informed decisions about their lives and their ri-

ghts as citizens who are members of a democracy. Gender justice receives a boost when women have access to education, which by improving their knowledge and employment capacity increases their sense of autonomy and self-esteem. The health status of people improves as their education levels increase.

SPAIN

As an honorary member, patron and collaborator of the Celta de Vigo Foundation, SANJOSE Constructora has participated and collaborated in the various activities carried out by the Foundation:

- National and international summer camp.
- Football school.
- Fundación Celta-integra.
- Wanda Programme for Chinese youth.
- Sundry clinics.
- Solidarity tier.
- Training for trainers.
- Mus, domino and other championships.
- Christmas card contest.
- Recycling campaign together with ecoembes of selective waste collection, as well as sundry environmental awareness, education and dissemination activities.

Sponsorship of the Vithas Virgen del Mar Golf Hospital Tournament, held in June at Alborán Golf (Almería). The tournament, of a solidarity nature, brought together more than 100 golfers, and in the act of granting the awards, the Vithas Virgen del Mar Hospital made a solidarity contribution to the Red Cross Almeria and Athiende Almería organisations, that helps children with attention deficit hyperactivity disorder (ADHD).

During 2019, Grupo SANJOSE, carried out a comprehensive refurbishment of its headquarters in Tres Cantos (Madrid) to transform, expand and update the space previously used for cafeteria-dining room of its employees, having transformed said space not only into a dining room with Great capacity for workers, but in a modern and cozy meeting space.

Likewise, Grupo SANJOSE encourages among its employees the adoption of healthy habits with regards to food and sports. For the second year in a row, in mid-December, a large group of employees of the Group took part in the “Race of Companies”, sponsored by Banco Santander, where through sport they were able to share a morning of sports and collaboration between the different participating teams.

Likewise, and in line with the previous two points and in the commitment of Grupo SANJOSE to meet those demands and suggestions of its employees, it is planned during the year 2020, to undertake works at its headquarters in Madrid, for the installation of changing rooms / showers , in order to favour the reconciliation of sports activities or similar in the schedule of free disposal of workers.

Grupo SANJOSE has continued to collaborate in the Blood Donation campaigns that RED CROSS Organises on a regular basis.

Each time the awareness of Grupo SANJOSE and its staff with this need of society to save lives, has been a recurring commitment, increasing year by year the number of people who attend these campaigns to donate blood.

PROFIT/(LOSS) PER COUNTRY

In 2019, EBITDA per country has been as follows:

COUNTRY	OPEATING PROFIT/(LOSS) (EBITDA) PER COUNTRY
Spain	26,942
Cape Verde	9,009
Abu Dhabi	5,195
Portugal	4,654
Chile	3,876
Mexico	1,634
Argentina	1,177
India	427
Other	(724)
Total Grupo SANJOSE	52,190

Note: Other include the rest of the countries and consolidation adjustments. The information contained herein corresponds to Grupo Empresarial San José, S.A. and subsidiaries

DUTIES AND TAXES

In 2019, SANJOSE has returned EUR 18.8 million, of which EUR 13.1 correspond to Corporate Tax and the outstanding EUR 5.7 million correspond to local taxes and fees.

From the total, 52,2% is located in Spain.

PAÍS	GASTOS POR IMPUESTO SOBRE SOCIEDADES	TASAS Y TRIBUTOS	TOTAL (MILES DE EUROS)
Spain	6,120	3,671	9,791
Argentina	1,545	644	2,189
Cape Verde	1,747	59	1,806
Portugal	1,198	446	1,644
Peru	1,086	150	1,236
India	937	199	1,136
Mexico	425	11	436
Chile	(2)	313	311
United States	-	118	118
Abu Dhabi	-	81	81
Panama	-	5	5
Brazil	-	3	3
France	-	1	1
Germany	-	1	1
Total Grupo SANJOSE	**13,056**	**5,702**	**18,758**

The information contained herein corresponds to Grupo Empresarial San José, S.A. and subsidiaries Grupo SANJOSE has received public grants during year 2019 amounting to €59 thousand.

ANNEXURE I

Materiality analysis

Grupo SANJOSE is fully committed to ensure the transparency of information it furnishes to the market through the continuous improvement of communication channels with stakeholders, based on innovative corporate information that, in addition to financial aspects, takes into account the environmental and social variables.

The Company's Stakeholders are those individuals and groups with a legitimate interest, who are impacted by current and future activities of the Group. This definition includes both, stakeholders within the chain value of the Group (shareholders, employees, investors, customers and suppliers) and external (Administrations, Governments, means of communications, analysts, unions and society as a whole).

In order to prepare this Report, criteria established by the Management have been taken into account, taking into consideration the different sensitivities across stakeholders based on a series of international standards (ISO 9.001, ISO 14.001, OSHA 18.001) implemented in the group.

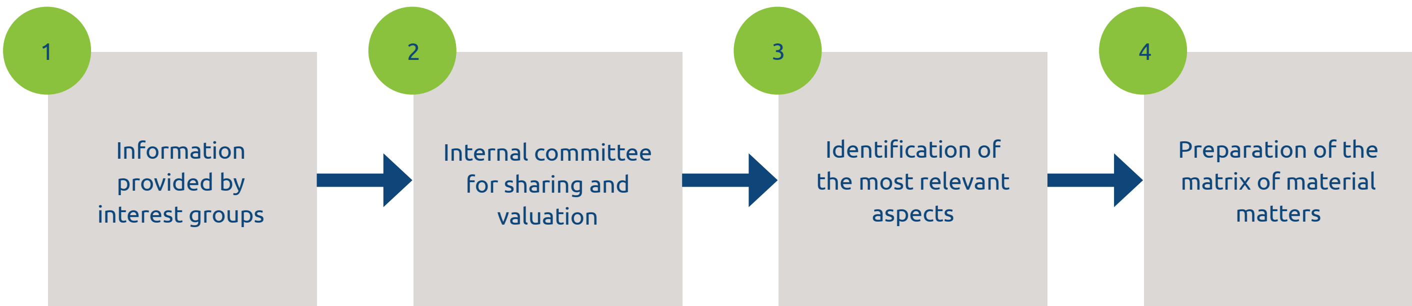
Information regarding relevant non-financial matters has been reported in accordance with the Global Reporting Initiative Standards (indicated in Annexure II), including the additional applicable information required by the Construction and Real Estate sector whose details are presented in annexure II of this report.

This information has been verified by an independent third party.

Following the principles established by the GRI Standards to define the contents of the Non-Financial Information Report, Grupo SANJOSE has carried out a materiality analysis process for which both public and private sources linked to the sector where the Group operates are analysed.in order to identify the main trends and challenges of the sector and has evaluated them in accordance with the regulatory changes introduced in the area of reporting non-financial information and diversity (Law 11/2018).

Internally, the information provided by the different interest groups is evaluated through the day-to-day business. In this way, those responsible for each of the business branches (customers), the purchasing manager (suppliers), the management in direct dealings with the shareholders and the human resources management, meet regularly to jointly assess what are the most relevant aspects for the purposes of the content of the Non-Financial Information Report.

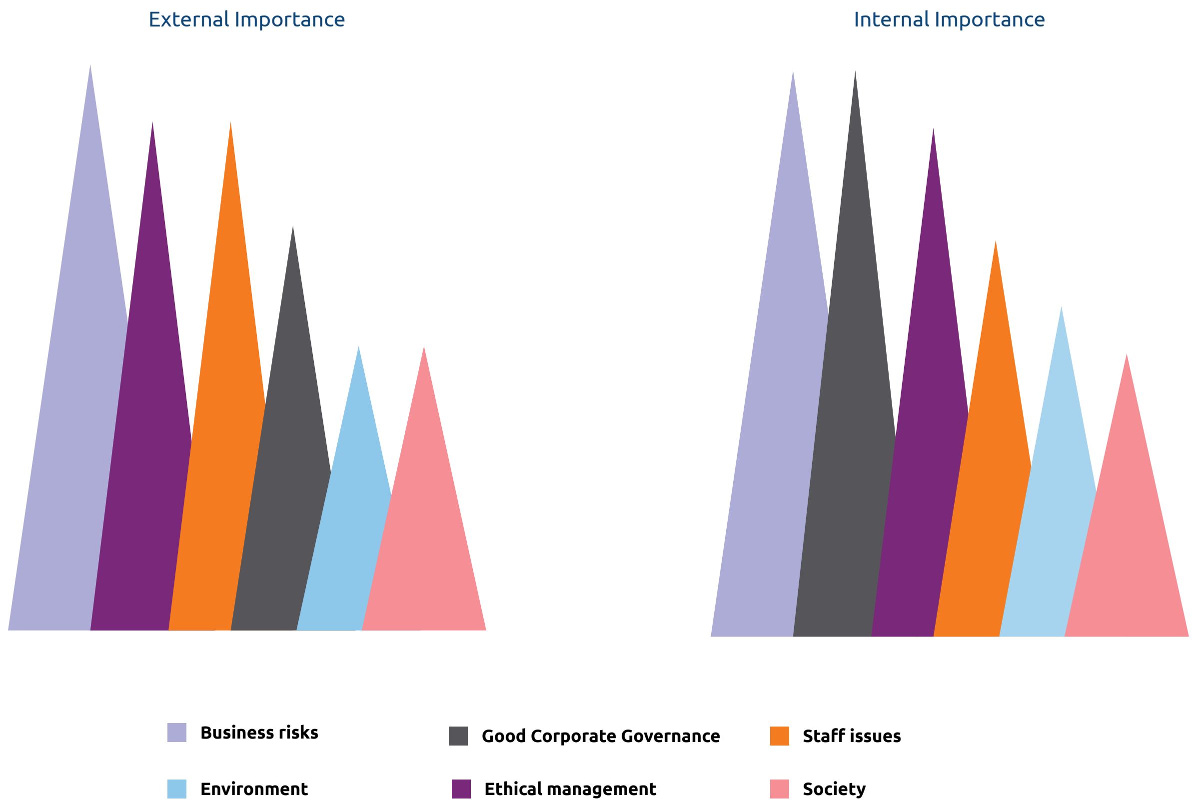
Following this methodology, the materiality study has been divided into the following phases:



Thus, the most relevant identified issues in our materiality analysis have been:

- Values of the Organisation and good Corporate Governance.
- Risks linked to the business.
- Social & Staff Issues.
- Environmental and Quality issues.
- Ethical management issues.
- Issues regarding the commitment of the Group to society.

In order to present a more detailed result, the analysis carried out is presented in a materiality matrix that represents the results obtained based on its external and internal relevance:



At an external level, the different interest groups express as special concern the ethical management of the company and the business risks. At a lower level, they are interested in how the company collaborates with society and its concern for the environment.

Internally, ethical management and good governance are detected as the main concern, as well as personnel matters and business risks; To a lesser extent, there is concern about the company's contribution to society and the environment.

ANNEXURE II

Index of contents required by Law 11/2018 on 28 December.

AREA	CONTENT	RELATED STANDARDS
Business Model	Business Lines of Activity. Organisation. Structure. Markets where it operates. Business environment.	102-1/102-2/102-3/102-4/102-5/102-6/102-7
Good Governance Commission Corporate	Capital Structure. Corporate Governance Structure. Annual General Meeting. Board of Directors. Other committees of the Board of Directors. Relevant Facts published during the year ended 31 December 2018.	102-18/102-19/102-20/102-22/102-23/102-24/102-26/102-27/102-28
Business risks	Civil Liability. Environmental Liability. Rate of accidents of own staff. Professional General Liability. Civil Liability of Board Members and Executives. Insurance policies to cover assets of the Group. All-risk construction policies. Claims Management.	102-15
People	Staffing structure at 31/12/2019. Integration and Development. Programme People with disabilities. Recruitment Training. Prevention of Occupational Hazards. Platform for sharing knowledge. Social Benefits. Equality Plan & Plan for the Prevention of Sexual Harassment.	102-8/401-1/403-2/404-1/405-1/405-2
Environmental Management, Quality Management and Supply Chain	Quality. Audit & Environmental Certification. Sustainability. Biodiversity. Environmental Performance. Supply Chain. Energy Efficiency. R&D and innovation.	102-9/302-1/303-1/305-1/306-2/306-4
Human Rights	Promotion and compliance with the provisions of the fundamental conventions of the International Labour Organisation related to respect for freedom of association and the right to collective bargaining. The elimination of discrimination in employment and occupation. The elimination of forced or compulsory labour. The effective abolition of child labour. Complaints for cases of violation of human rights.	406-1/407-1/408-1/409-1
Ethical Management and Regulatory Compliance	Measures taken to prevent corruption and bribery. Measures to fight money laundering. Data protection. Prevention of Occupational Hazards. Health and Safety. Whistle-blower Channel	102-16/102-17
Commitment to Society	Support for social and solidarity causes. Cultural and leisure activities. Profit/(Loss) per country 2019. Fees and taxes in year 2019.	102-12/102-13/201-1/203-1/413-1

AENOR

Non-Financial Information Verification Statement

AENOR verification statement for

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

concerning the consolidated statement of non-financial information DISCLOSURE OF NON-FINANCIAL INFORMATION AND DIVERSITY INFORMATION OF GRUPO EMPRESARIAL SAN JOSÉ, S.A. & SUBSIDIARIES

according to law 11/2018

for the period ending on 31 de december 2019

In Madrid 27th February 2020

Rafael García Meiro
Chief Executive Officer

1995/0146/VNOF-2020

Original Electrónico

GRUPO EMPRESARIAL SAN JOSÉ, S.A. (hereinafter the organization) with registered office at: CALLE ROSALÍA DE CASTRO, 44. 36001 Pontevedra and on its behalf, Ramón BARRAL ANDRADE in charge of Consejero Independiente, has commissioned AENOR to carry out a verification under a limited level of assurance of its Non-Financial Information Statement (hereinafter EINF) in accordance with Law 11/2018 amending the Commercial Code, the revised text of the Law on Corporations approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, with regard to non-financial information and diversity (hereinafter Law 11/2018).

As a result of the verification carried out, AENOR issues this Statement, of which the verified EINF forms part. The Declaration is only valid for the purpose entrusted and reflects only the situation at the time it is issued.

The purpose of the verification is to provide the interested parties with a professional and independent opinion about the information and data contained in the organization's EINF, prepared in accordance with Law 11/2018.

Responsibility of the organization. The organization was responsible for reporting its non-financial information status in accordance with Law 11/2018. The formulation and approval of the EINF, as well as its content, is the responsibility of its Governing Body. This responsibility also includes designing, implementing and maintaining such internal control as is deemed necessary to ensure that the EINF is free from material misstatement due to fraud or error, as well as the management systems from which the information required for the preparation of the EINF is obtained. The organisation, in accordance with the commitment formally undertaken, has informed AENOR that no events have occurred, from the date of the close of the financial year reported in the non-financial report until the date of verification, that might require corrections to be made to the report.

Verification program in accordance with ISO/IEC 17029:2019 AENOR, in accordance with the aforementioned Act, has carried out this verification as an independent provider of verification services. The verification has been developed under the principles of "evidence-based approach, fair presentation, impartiality, technical competence, confidentiality, and accountability" required by the international standard ISO/IEC 17029:2019 "Conformity assessment - General principles and requirements for validation and verification bodies".

Likewise, in the verification program, AENOR has considered the international requirements of accreditation, verification or certification corresponding to the information matters contemplated in the Law:

- European Regulation EMAS (Environmental Verification)

Original Electrónico

- SA 8000 (international labour principles and rights in accordance with the ILO (International Labour Organization), the Universal Declaration of Human Rights and the Convention on the Rights of the Child. SAAS Procedure 200)
- Environmental Management System (ISO 14001).
- Social Responsibility Management System, IQNet SR 10 and SA8000 schemes
- Quality Management System (ISO 9001).
- Energy Management System (ISO 50001).
- Occupational Health and Safety Management System (ISO 45001).

Additionally, the criteria and information that have been taken into account as a reference to carry out the Verification Program have been:

1) Law 11/2018 of 28 December, which amends the Commercial Code, the revised text of the Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July on the Auditing of Accounts, with regard to non-financial information and diversity.

2) Directive 2014/95/EU of the European Parliament and Council of 22 October 2014 amending Directive 2013/34/EU as regards the disclosure of non-financial information and diversity reporting by certain large companies and certain groups.

3) Communication of the European Commission 2017/C 215/01, Guidelines on non-financial reporting (methodology for non-financial reporting)

4) the international standard ISO/IEC 17029.2019 Conformity assessment - General principles and requirements for validation and verification bodies

5) The criteria established by the global sustainability reporting initiative in the GRI standards where the organisation has opted for this recognised international framework for disclosure of information relating to its corporate social responsibility performance

AENOR expressly disclaims any liability for decisions, investment or otherwise, based on this Declaration.

During the verification process carried out, under a limited level of assurance, AENOR conducted interviews with the personnel in charge of compiling and preparing the Report and reviewed evidence relating to:

- Activities, products and services provided by the organization.
- Consistency and traceability of the information provided, including the process followed to collect it, sampling information about the reported.

Original Electrónico

- Completion and content of the statement of non-financial information in order to ensure the completeness, accuracy and veracity of its content.
- Letter of statements from the Administrative Body.

The conclusions are therefore based on the results of this sample process, and do not absolve the Organization of its responsibility for compliance with applicable legislation.

The personnel involved in the verification process, the review of findings and the decision to issue this Statement have the knowledge, skills, experience, training, supporting infrastructure and capacity to effectively carry out these activities.

CONCLUSION

Based on the foregoing, in our opinion, there is no evidence to suggest that the statement of non-financial information included in the DISCLOSURE OF NON-FINANCIAL INFORMATION AND DIVERSITY INFORMATION OF GRUPO EMPRESARIAL SAN JOSÉ, S.A. & SUBSIDIARIES and for the year ended December 31, 2019, does not provide accurate information on the performance of GRUPO EMPRESARIAL SAN JOSÉ, S.A and subsidiaries, in terms of social responsibility under Law 11/2018. Specifically, with regard to environmental, social and personnel issues, including the management of equality, non-discrimination and universal accessibility, human rights, the fight against corruption and bribery, and diversity.

Original Electrónico

DIRECTORS' SIGNATURES

For the purposes of R.D. 1362/2007 on 19 October (Article 8.1.b and Article 10), the undersigned Directors of Grupo "Constructora San Jos, S.A." hereby make the following statement of liability:

That, to the best of their knowledge, the consolidated financial statements prepared in accordance with applicable accounting standards present a true and fair view of consolidated equity, the consolidated financial position and the consolidated results obtained by the issuer and its consolidated companies taken as a whole and that the consolidated Directors' Report includes an accurate analysis of business development and results, the position of the issuer and the companies included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties which they face. In witness whereof, the Board of Directors sign herein.

These Financial Statements consisting of the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and Notes to the Financial Statements for the year ending on 31 December 2019, issued on 112 sheets of common paper, as well as the Directors' Report, issued on 197 sheets and the Non-Financial and Diversity Information Report issued in 57 sheets of paper were prepared by the Company's Board of Directors on 28 February 2019.

Mr. Jacinto Rey González	Mr. Jacinto Rey Laredo
Mr. Sunil Kanoira	Mr. Enrique Martín Rey
Ms. Altina de Fátima Sebastián González	Mr. Ramón Barral Andrade
Mr. José Manuel Otero Novas	Mr. Roberto Alvarez Álvarez
Mr. Javier Rey Laredo	Mr. Nasser Homaid Salem Ali Alderei
Mr. Guillermo E. Nielsen	

NEGATIVE CLEARANCE REGARDING ENVIRONMENTAL INFORMATION IN FINANCIAL STATEMENTS

Company`s identification:

Grupo Empresarial San José, S.A. and Subsidiaries

Registered data of the Company:

Trade Registry Pontevedra, Volume 586, sheet 88, page 8119

TAX Id #: ***A36.046.993*** Tax year: 2019

The undersigned, as Director of the above-mentioned company state that accounting records of the financial statements issued in 189 sheets of paper do not include items to be included within the document apart from environmental information set forth by Ministerial Order 8 October 2001.

Signature and name of the Directors:

Mr. Jacinto Rey González	Mr. Jacinto Rey Laredo
Mr. Sunil Kanoira	Mr. Enrique Martín Rey
Ms. Altina de Fátima Sebastián González	Mr. Ramón Barral Andrade
Mr. José Manuel Otero Novas	Mr. Roberto Alvarez Álvarez
Mr. Javier Rey Laredo	Mr. Nasser Homaid Salem Ali Alderei
Mr. Guillermo E. Nielsen	