# Grupo Empresarial San José, S.A. and subsidiaries

Condensed Consolidated Half-Yearly Financial Statements and Explanatory Notes for the period ending 30 June 2017 and Directors' Report

*Translation into English of the Condensed Consolidated Financial Statements and Explanatory Notes for 1S-2017 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails. Inhouse translation, under its sole responsibility, and not deemed official.*

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

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Grupo Empresarial San José, S.A., at the request of the Board of Directors,

**Report on the Interim Condensed Consolidated Financial Statements**

*Introduction*

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Grupo Empresarial San José, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at 30 June 2017, and the condensed consolidated income statement, condensed consolidated statement of recognized income and expenses, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

*Scope of Review*

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

*Conclusion*

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2017 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to Article 12 of Royal Decree 1362/2007.

*Emphasis of Matter*

We draw attention to Note 2.1 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016. Our conclusion is not modified in respect of this matter.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

## Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2017 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2017. Our work was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Grupo Empresarial San José, S.A. and Subsidiaries.

## Other Matters

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

DELOITTE, S.L.

Antonio Sánchez-Covisa Martín-González
27 July 2017

*Translation into English of the condensed consolidated half-year Financial Statements for the period ending 30 June 2017 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails. In-house translation, under its sole responsibility and not deemed official.*

# GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiairies

Condensed Consolidated Balance Sheet at 30 June 2017 and 31 December 2016

(Thousand of Euros)

| | 30.06.2017 | 31.12.2016 | | 30.06.2017 | 31.12.2016 |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS:** | | | **EQUITY:** | | |
| **Property, plant and equipment (Note 7)** | **45,967** | **45,900** | **Share capital** | **1,951** | **1,951** |
| **Investment property (Note 8)** | **3,964** | **4,711** | **Issurance premium** | **155,578** | **155,578** |
| **Goodwill on consolidation (Note 6)** | **9,984** | **9,984** | **Reserves** | **(157,772)** | **(167,854)** |
| **Intangible assets (Notes 6)** | **19,025** | **20,557** | **Translation differences** | **(52,897)** | **(43,421)** |
| **Investments in associates and joint ventures (Note 9.1)** | **50,191** | **53,121** | **Equity-Valuation adjustments** | **(139)** | **(262)** |
| Equity Investments in associates | 49,736 | 52,666 | **Profit of the year attibutable to the parent company** | **7,966** | **10,082** |
| Loans to related companies (Note 18) | 455 | 455 | **Equity attribtable to shareholders of the Parent** | **(45,313)** | **(43,926)** |
| **Other non-current financial assets (Note 9.1)** | **111,797** | **150,947** | **Minority interests** | **19,133** | **21,297** |
| **Deferred tax assets** | **31,243** | **32,839** | **TOTAL EQUITY (Note 12)** | **(26,180)** | **(22,629)** |
| **TOTAL NON-CURRENT ASSETS** | **272,171** | **318,059** | | | |
| | | | **NON-CURRENT LIABILITIES** | | |
| | | | **Long-term provisions (Note 13)** | **26,463** | **28,963** |
| | | | **Non-current bank borrowings (Note 14)** | **429,212** | **488,280** |
| | | | Bonds and other securities | 99,487 | 138,075 |
| | | | Bank loans and overdrafts | 326,113 | 346,524 |
| | | | Finance lease creditors | - | 162 |
| | | | Other financial liabilities | 3,612 | 3,519 |
| | | | **Derivative financial instruments (Note 14)** | **735** | **906** |
| | | | **Deferred tax liabilities** | **14,898** | **15,491** |
| | | | **Long-term advances** | **937** | **965** |
| | | | **TOTAL NON-CURRENT LIABILITIES** | **472,245** | **534,605** |
| | | | **CURRENT LIABILITIES:** | | |
| | | | **Short-term provisions (Note 13)** | **41,372** | **42,386** |
| **CURRENT ASSETS:** | | | **Current bank borrowings (Note 14)** | **68,222** | **63,722** |
| **Non-current assets held for sale (Note 10)** | **-** | **4,186** | Bonds and other securities | 30,405 | 33,594 |
| **Inventories (Note 11)** | **104,888** | **104,122** | Bank loans and overdrafts | 33,956 | 26,871 |
| **Trade and other receivables** | **236,661** | **237,282** | Finance lease creditors | 350 | 372 |
| Trade receivables for sales and services (Note 9.3) | 202,576 | 202,864 | Other financial liabilities | 3,511 | 2,885 |
| Realetd companies receivables (Note 18) | 1 | 1 | **Derivative financial instruments (Note 14)** | **-** | **2** |
| Sundry accountes receivable | 4,313 | 4,928 | **Payables to related companies (Nota 18)** | **69** | **2,620** |
| Public admisnitrations | 28,680 | 28,610 | **Trade and other payables** | **358,200** | **395,742** |
| Other current assets | 1,091 | 879 | Trade payables | 330,605 | 371,026 |
| **Other current financial assets (Note 9.2)** | **100,126** | **101,884** | Tax Payable | 18,502 | 14,464 |
| **Accrued income** | **4,465** | **5,247** | Other current liabilities | 9,093 | 10,252 |
| **Cash and cash equivalents** | **202,052** | **251,839** | **Accrued expenses** | **6,435** | **6,171** |
| **TOTAL CURRENT ASSETS** | **648,192** | **704,560** | **TOTAL CURRENT LIABILITIES** | **474,298** | **510,643** |
| **TOTAL ASSETS** | **920,363** | **1,022,619** | **TOTAL EQUITY AND LIABILITIES** | **920,363** | **1,022,619** |

Notes 1 to 19 of the accompanying notes are an integral part of the Condensed Consolidated Balance Sheet at 30 June 2017.

*Translation into English of the condensed consolidated half-year Financial Statements for the period ending 30 June 2017 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails. In-house translation, under its sole responsibility and not deemed official.*

# GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONDENSED CONSOLIDATED INCOME STATEMENT FOR
HALF YEARS 2017 AND 2016
(Thousand of Euros)

| | 30-06-17 | 30-06-16 |
|---|---|---|
| **CONTINUING OPERATIONS** | | |
| **Revenue (Note 5)** | **332,041** | **270,356** |
| **Other operating income** | **509** | **3,517** |
| **Change in inventories of finished goods and work in progress (Note 11)** | **(475)** | **(4,363)** |
| **Procurements** | **(220,263)** | **(168,951)** |
| Cost of raw materials and other consumables used | (103,830) | (83,756) |
| Works performed by other companies | (116,535) | (85,196) |
| Impairment of goods held for resale, raw materials and other supplies (Note 13) | 102 | 1 |
| **Staff costs** | **(53,296)** | **(44,407)** |
| **Other operating expenses** | **(37,044)** | **(36,701)** |
| Losses on impairment and change in allowances for trade receivables | 959 | (2,854) |
| Other current operating expenses | (38,003) | (33,847) |
| **Depreciation and amortisation charge (Notes 6,7 and 8)** | **(4,042)** | **(2,800)** |
| **Excessive provisions** | **59** | **264** |
| **Impairment and gains or losses on disposal of non-current assets (Notes 7 y 8)** | **159** | **(11)** |
| **PROFIT FROM OPERATIONS** | **17,648** | **16,904** |
| **Finance income (Note 17.2)** | **8,754** | **9,555** |
| **Finance costs** | **(11,929)** | **(14,111)** |
| **Exchange differences** | **(509)** | **(488)** |
| **Impairment and gains or losses on disposal of financial instruments (Note 9.1)** | **(1,731)** | **(246)** |
| **FINANCIAL PROFIT / (LOSS)** | **(5,415)** | **(5,290)** |
| **Profit/ (loss) of companies accounted for using the equity method (Notes 9.1)** | **(364)** | **(235)** |
| **PROFIT BEFORE TAX** | **11,869** | **11,379** |
| **Income Tax (Note 16)** | **(3,987)** | **(6,246)** |
| **PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS** | **7,882** | **5,133** |
| **PROFIT FOR THE YEAR** | **7,882** | **5,133** |
| **PROFIT (LOSS) ATTRIBUTABLE TO EXTERNAL PARTNERS** | **(84)** | **(1,643)** |
| **PROFIT (LOSS) FOR THE YEAR** | **7,966** | **6,776** |
| **Earnings per share (Euros/share)** | | |
| **-Basic** | **0.12** | **0.10** |
| **-Diluted** | **0.12** | **0.10** |

Accompanying notes 1 to 19 form an integral part of
the Condensed Consolidated Income Statement at 30 June 2017.

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# GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES**

**FOR HALF YEARS 2017 AND 2016**

(Thousand of Euros)

| | Half Year 2017 | Half Year 2016 |
|---|---|---|
| **CONSOLIDATED PROFITS / (LOSSES) OF THE YEAR** | **7,882** | **5,133** |
| **Income and expenses recognised directly in equity** | | |
| -For cash flow hedges | (12) | (118) |
| -Other | - | 93 |
| -Tax effect | 3 | 7 |
| | **(9)** | **(18)** |
| **Transfer to income statement** | | |
| -For cash flow hedges | 183 | 205 |
| -Other | (11) | (72) |
| -Tax effect | (43) | (46) |
| | **129** | **87** |
| **TOTAL RECOGNISED INCOMES / (EXPENSES)** | **8,002** | **5,202** |
| a) Attributable to Parent | **8,057** | **6,828** |
| b) Attributable to minority interests | **(55)** | **(1,626)** |

Accompanying notes 1 to 19 form an integral part of

of the condensed consolidated statement of recognized income and expenses at 30 June 2017.

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# GRUPO EMPRESARIAL SAN JOSÉ, S.A. y and Subsidiaries

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR HALF YEAR 2017 AND YEAR 2016

(Thousand of Euros)

| | | | Others reservers | | Consolidated Reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | Issurance premium | Legal Reserve | Other reserves of the parent | In consolidated companies | In associated companies | Translation differences | Equity Adjustments | Profit of the year | Total Equitty attributable to parent | Minority interests | Total Equity |
| **Balance at December 31, 2015** | **1,951** | **155,578** | **263** | **(191,520)** | **12,444** | **2,306** | **(45,268)** | **(428)** | **8,653** | **(56,021)** | **21,680** | **(34,341)** |
| Distribution of profit for year 2015: | | | | | | | | | | | | |
| -To reserves | - | - | - | 35,289 | (25,791) | (845) | - | - | (8,653) | - | - | **-** |
| -Dividend payment | - | - | - | - | - | - | - | - | - | - | (753) | **(753)** |
| Translation differences | - | - | - | - | - | - | (2,773) | - | - | **(2,773)** | 1,193 | **(1,580)** |
| Other equity movements | - | - | - | - | - | - | - | 51 | - | **51** | - | **51** |
| Total recognized income/expenses (1S-2016) | - | - | - | - | - | - | - | 52 | 6,776 | **6,828** | (1,626) | **5,202** |
| **Balance at June 30, 2016** | **1,951** | **155,578** | **263** | **(156,231)** | **(13,347)** | **1,461** | **(48,041)** | **(325)** | **6,776** | **(51,915)** | **20,494** | **(31,421)** |
| Dividend payment | - | - | - | - | - | - | - | - | - | **-** | (48) | **(48)** |
| Translation differences | - | - | - | - | - | - | 4,620 | - | - | **4,620** | 1,502 | **6,122** |
| Variation of the consolidation perimete | - | - | - | - | (2,427) | 2,427 | - | - | - | **-** | (299) | **(299)** |
| Other equity movements | - | - | - | - | - | - | - | (45) | - | **(45)** | (1) | **(46)** |
| Total recognized income/expenses (2S-2016) | - | - | - | - | - | - | - | 108 | 3,306 | **3,414** | (351) | **3,063** |
| **Balance at December 31, 2016** | **1,951** | **155,578** | **263** | **(156,231)** | **(15,774)** | **3,888** | **(43,421)** | **(262)** | **10,082** | **(43,926)** | **21,297** | **(22,629)** |
| Distribution of profit for year 2016: | | | | | | | | | | | | |
| -To reserves | - | - | - | (41,659) | 50,788 | 953 | - | - | (10,082) | **-** | **-** | **-** |
| Translation differences | - | - | - | - | - | - | (9,476) | - | - | **(9,476)** | (2,108) | **(11,584)** |
| Other equity movements | - | - | - | - | - | - | - | 32 | - | **32** | (1) | **31** |
| Total recognized income/expenses (1S-2017) | - | - | - | - | - | - | - | 91 | 7,966 | **8,057** | (55) | **8,002** |
| **Balance at June 30, 2017** | **1,951** | **155,578** | **263** | **(197,890)** | **35,014** | **4,841** | **(52,897)** | **(139)** | **7,966** | **(45,313)** | **19,133** | **(26,180)** |

Accompanying notes 1 to 19 form an integral part of the Condensed Consolidated Statement of Changes in Equity at 30 June 2017.

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# GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT
## FOR HALF YEARS 2017 AND 2016

(Thousand of Euros)

| | | Half Year 2017 | Half Year 2016 |
|---|---|---|---|
| | **Cash flows from operating activities:** | | |
| (+) | Profit (Loss) before tax | 11,869 | 11,379 |
| (+) | Depreciation and amortisation charge | 4,042 | 2,800 |
| (+/-) | Changes in operating allowances | (1,069) | 1,868 |
| (-) | Financial income | (8,754) | (9,555) |
| (+) | Financial costs | 11,929 | 14,111 |
| (+/-) | Exchange differences | 509 | 488 |
| (+/-) | Result of companies accounted for using the equity method | 364 | 235 |
| (+/-) | Other gains or losses | 3,502 | 215 |
| | **Total Cash Flows from operating activities** | **22,393** | **21,541** |
| | **Other adjustments** | | |
| (-) | Imcome tax paid in the year | (611) | (6,708) |
| (+/-) | (Increase) / Decrease in working capital | | |
| | a) (Increase) / Decrease in inventories | (658) | 2,763 |
| | b) (Increase) / Decrease in debtors and other receivables | 919 | 50,292 |
| | c) (Increase) / decrease in other current assets | 782 | (148) |
| | d) (Increase) / Decrease in trade payables | (44,127) | (41,131) |
| | e) (Increase) / decrease in other current liabilities | 267 | 625 |
| (+/-) | Other collections / (payments) due to operating activities | (4,734) | 406 |
| | **1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES** | **(25,770)** | **27,640** |
| | **Investments:** | | |
| (-) | Property, plant and equipment and investment property | (2,541) | (2,298) |
| (-) | Intangible assets | (558) | (119) |
| (-) | Shares and other financial assets | (1,610) | (11,906) |
| | **Total Investments** | **(4,709)** | **(14,323)** |
| | **Dividends received** | **2,287** | **3,017** |
| | **Disposals:** | | |
| (+) | Property, plant and equipment and investment property | 799 | 29 |
| (+) | Shares and other financial assets | - | 672 |
| | **Total Disposals** | **799** | **702** |
| | **Other collections / (payments) due to financing activities** | **39,415** | **36,197** |
| | **2. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES** | **37,792** | **25,593** |
| | **Dividends payed** | **-** | **(753)** |
| | **Increase / (decrease) in borrowings** | **(52,187)** | **(35,180)** |
| | Non current | (510) | (3,567) |
| | Current | (51,677) | (31,612) |
| | **Net interests:** | **(3,223)** | **(7,093)** |
| | Received | 3,509 | 3,810 |
| | Paid | (6,732) | (10,903) |
| | **Other collections / (payments) due to financial activities** | **(6,399)** | **(3,108)** |
| | **3. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES** | **(61,809)** | **(46,134)** |
| | **TOTAL CASH FLOWS FOR THE YEAR** | **(49,787)** | **7,099** |

| | | | |
|---|---|---|---|
| | **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | **251,839** | **231,834** |
| | Changes in the year | (49,787) | 7,099 |
| | **CASH AND CASH EQUIVALENTS AT 30 JUNE 2017** | **202,052** | **238,933** |

Accompanying notes 1 to 19 form an integral part of the Condensed Consolidated Cash Flow Statement at 30 June 2017

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# Grupo Empresarial San José, S.A. and Subsidiaries

## Notes to the Condensed Consolidated Half-Yearly Financial Statements for the period ending 30 June 2017.

### 1. Activities of the Group

Grupo Empresarial San José, 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 Sanmartín 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 from "Udra, S.A." into "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.

Its registered office is located in Pontevedra, at Calle Rosalía de Castro, 44.

**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 the 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 José, 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 José, S.A. (holding company), which in turn mainly participates in: “Constructora San José, S.A.” (construction activity), “San José Energía y Medio Ambiente, S.A.” (energy activity), “San José Concesiones y Servicios, S.A.” (services) and “Desarrollos Urbanísticos Udra, S.A.” (urban developments).

The 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 are included in these notes to the financial statements.

## 2. Basis of presentation of the Consolidated Summary Half-Yearly Financial Statements

### *2.1 Accounting principles*

The Consolidated Financial Statements of “Grupo Empresarial San José, S.A.” and Subsidiaries (Grupo SANJOSE or “the Group”) for the year ending 31 December 2016 were elaborated by the Directors of the Parent at the meeting of the Board of Directors which took place on 28 February 2017 and passed by resolution of the General Meeting held on 22 June 2017, pursuant to the provisions under the International Financial Information Regulations adopted by the European Union, in compliance with Regulations (CE) No 1606/2002 of the European Parliament and the Board (hereinafter “NIIF-UE”, detailed on Notes 2-4 of the accompanying consolidated notes to the financial statements), taking into considerations the accounting regulations and standards and assessment criteria of the NIIF-UE, so that they provide a true and exact image of the equity and financial situation of Grupo SANJOSE at 31 December 2016 and its transactions, and the changes net equity and in the consolidated cash flow statement during the year ending on said date.

These Summary Half-Yearly Financial Statements comply with IAS 34 on Interim Financial Information and have been drafted by the Directors of the Parent on 27 July 2017, pursuant to provisions under Article 12 of Royal Decree 1362/2007.

The interim financial information is prepared with the sole purposes of updating the content of the latest annual financial statements prepared by the Group, with special emphasis on new activities, events and circumstances that occurred during the first half of 2017 and not duplicating the information released previously in the consolidated financial statements for the year 2016. Therefore, for a proper understanding of the information included in these Summary Half-Year Financial Statements, they should be read in conjunction with the financial statements of the Company for the year 2016.

The Directors of the Parent consider that, due to the nature of the business of the Group and within its international level, the effect of seasonality is null.

Grupo San Jose's consolidated financial statements were prepared according to the accounting records of the Parent and 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 accounting policies and method applied in the elaboration of these Summary Half-Year Financial Statements are the same as those applied to the consolidated financial statements for year 2016.

*Enforcement of new accounting standards:*

During the first half of year 2017 the following standards and interpretations, compulsory as from year 2017 onwards and adopted by the European Union, became in force and have been applied by the Group in the elaboration of the accompanying interim consolidated summary financial statements:

*New standards, amendments and interpretations compulsory for year starting as of 01 January 2017:*

| **Standards and amendments:** | | **Compulsory application for the Group:** |
|---|---|---|
| **Adopted for use within the EU** | | |
| Amendment of IAS 19 – Employees' contributions to funds (released in June 2013) | The amendment facilitates the deduction of this costs provided certain criteria is fulfilled. | 1 February 2015 (1) |
| Improvement of IFRS years 2010-2012 (released in December 2013) | Minor amendments of a series of standards | 1 February 2015 (1) |
| Amendment IAC 16 and IAS 38 Impairment and amortisation methods (released in May 2014) | It classifies the accepted impairment and amortisation methods of property, plant and equipment and intangible assets. | 1 January 2016 |
| Amendment IAC 11 Accounting of stakes joint ventures (released in May 2014) | It specifies how to record the acquisition of stakes in a joint transaction whose activity involves a business itself. | 1 January 2016 |
| Amendment of IFRS 16 and 41 Production plants (released in June 2014) | Production plans shall be recorded under expense and not fair value. | 1 January 2016 |
| Improvement of IFRS years 2012-2014 (released in September 2014) | Minor amendments of a series of standards | 1 January 2016 |
| Amendment IAC 27 Equity method of Individual financial statements (released in August 2014) | It allows the consolidation of independent financial statements of an investor. | 1 January 2016 |

| | | |
|---|---|---|
| Amendment of IAC 1 Breakdown (December 2014) | Specifications on breakdown (materiality, incorporation, order of notes, etc.). | 1 January 2016 |
| Amendment of IFRS 10 and IFRS 12 and IAC 28 Investment companies (released in December 2014) | It classifies the accepted impairment and amortisation methods of property, plant and equipment and intangible assets. | 1 January 2016 |

(1) The enforcement date approved by the IASB is 1 January 2014.

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

<u>*Non-applicable issued standards and interpretations*</u>

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.:

| **Adopted for use within the EU** | | Compulsory application as from: |
|---|---|---|
| **New standards** | | |
| IFRS 15 income from contracts with clients (released in May 2014) | New income recognition standard (It replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31). | 1 January 2018 |
| IFRS 9 Financial instruments (released in June 2014) | It replaces former classification requirements, evaluation of assets and liabilities, accounting hedges of IAS 39. | 1 January 2018 |

| **Non-adopted for use within the EU** | | Compulsory application as from: |
|---|---|---|
| **New standards** | | |
| Clarifications IFRS 15 (released in April 2016) | They relate to the identification of performance obligations, principal versus agent, licensing and accrual at one point over time, as well as clarifications to transition rules. | 1 January 2018 |
| IFRS 16 Leases (released in January 2016) | New leasing standard which replaces IAS 17. Lessees shall include all leases under the balance sheet as financed purchases. | 1 January 2019 |
| **Amendments and/or understanding** | | |
| Amendment of IAC 7 Breakdown (released in January 2016) | It incorporated additional breakdown requirements in order to improve the information provided to users. | 1 January 2017 |
| Amendment of IAC 12 Recognition of deferred taxes due to unrealised losses (released in January 2016) | Clarification of the main principles for the recognition of assets and deferred taxes for unrealised losses. | 1 January 2017 |
| Amendment of IAC 2 Classification and assessment of share-based payments (released in June 2016) | Limited modifications that clarify specific issues such as the effects of accrual conditions on share-based payments to be settled in cash, the classification of share-based payments when it has net settlement clauses and some aspects of | 1 January 2018 |

| | | |
|---|---|---|
| | changes in the type of payments based on shares. | |
| Amendment of IAC 4 Insurance policy | It allows entities within the scope of IFRS 4 the option of applying IFRS 9 or its temporary exemption. | 1 January 2018 |
| Amendment of IAC 40 Reclassification of real estate investments (released in September 2016) | The amendment clarifies that a reclassification of an investment from or to real estate investment is only permitted when there is evidence of a change in its use. | 1 January 2018 |
| Improvement of IFRS years 2014-2016 (released in December 2016) | Minor amendments of a series of standards | 1 January 2018 |
| IFRIS 22 – Transaction and advances in foreign currencies (released in December 2016) | It sets the date of the transaction, in order to determine the exchange rate applicable in transactions with foreign currency advances. | 1 January 2018 |
| Amendment of IFRS 10 and IFRS 12 and IAC 28 Investment companies (released in December 2014) | It classifies the accepted impairment and amortisation methods of property, plant and equipment and intangible assets. | Without a set date. |

IFRS 15 establishes the new revenue recognition model derived from customer contracts. This standard presents all applicable requirements in an integrated manner and will replace current revenue recognition standards, IAS 18 Revenue from ordinary activities and IAS 11 Construction Contracts, as well as other related IFRIC interpretations. IFRS 15 establishes 5 steps that must be taken into account for an entity to recognize a sale:

1. To identify the contract with the customer.
2. To identify contractual obligations.
3. To determine the price of the transaction.
4. To distribute the price of the transaction between the obligations of the contract.
5. To recognise income when, or as, the entity fulfils its obligations.

Regulations are applicable as from 1 January 2018, being its application retroactively.

The Directors of the Parent are assessing the potential impact of applying these standards in the future and consider that their entry into force will not have a material effect on the consolidated financial statements.

***2.2 Responsibility for the information and use of estimates***

Consolidated results and the determination of consolidated equity are sensitive to accounting principles and policies, valuation and estimation criteria followed by the Parent Company's Directors for the preparation of the Consolidated Condensed Financial Statements. Main accounting principles and policies and assessment criteria are detailed on Note 4 to the consolidated financial statements for year 2016.

In the preparation of the accompanying consolidated summary 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 estimations have been made according to the nest available information regarding:

1. The corporate tax expense that, in accordance with IAS 34, is recognised in interim periods based on the best estimate of the weighted average tax rate that the Group expects for the annual period

2. The useful life of the property, plant and equipment and intangible assets.

3. Measurement of goodwill arising on consolidation.
4. 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).
5. Assessment of potential impairment losses by independent professionals at 30 June 2017. These valuations are carried out pursuant to the method of discount of cash flows for equity for rent and the dynamic residual method for real estate stocks, methods that comply with the criteria established by The Royal Institution of Chartered Surveyors (RICS).
6. The probability of occurrence and the amount of uncertain or contingent liabilities.
7. The classification of operation and financial leases.
8. The fair value of certain non-listed assets.
9. The fair value of certain financial instruments.
10. The fair value of assets and liabilities resulting from business combinations.
11. The probability of recovery of financial loans.
12. Management of financial risk.

Although these estimates were made on the basis of the best information available at the date of analysis, 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.

During the first half of 2017 no significant changes are expected in accounting assessments and forecasts used by the Group at the end of the consolidated financial statements for year 2016.

### *2.3 Currency*

These Summary Half-Year Financial Statements are presented in Euros, since this is the functional currency of the main economic environment where the Group operates. Foreign operations are recognised in accordance with the policies established under Note 4.14 1h of the financial statements for year 2016.

The breakdown of the closing and average exchange rates of the period used to prepare the Summary Half-Year Financial Statements at 30 June 2017 is as follows:

| Country | Currency | Exchange rate at 30/06/2017 | Average exchange rate half-year 2017 |
|---|---|---|---|
| The United States | US Dollar (USD) | 1.1409 | 1.0911 |
| Mexico | Mexican Peso | 20.4333 | 20.8286 |
| Argentina | Argentine Peso (ARS) | 18.7557 | 17.2154 |
| Cape Verde | Cape Verde Escudo | 110.265 | 110.265 |
| Panama | Panamanian Balboa | 1.1409 | 1.0911 |
| Uruguay | Uruguayan Peso | 31.8643 | 30.4335 |
| Paraguay | Guaraní | 6,209.71 | 6,024.66 |
| Peru | Peruvian Sol | 3.6636 | 3.5188 |
| Chile | Chilean Peso (CLP) | 749.811 | 714.670 |
| Brazil | Brazilian Real | 3.7525 | 3.4729 |
| India | Indian Rupee | 73.6468 | 71.3635 |
| Nepal | Nepalian Rupee | 116.076 | 112.8067 |
| Abu Dhabi | UAE Dirham | 4.1898 | 4.0068 |
| Republic of Congo | Congo Franco | 655.957 | 655.957 |
| Colombia | Colombian Peso | 3,454.05 | 3,189.285 |
| Morocco | Morocco Dirham | 10.9536 | 10.6932 |
| Bolivia | Boliviano | 7.7444 | 7.3871 |

None of these countries are considered to be hyperinflationary economies as defined by IAS 29.

### *2.4 Provisions and contingent liabilities*

Information on provisions, contingent liabilities and guarantees given to third parties during 2016 is provided in Notes 15, 21 and 22.10 of the notes to the Financial Statements of the Group for year 2016. In addition to that discussed in Note 13, during the first half of 2017 no significant changes regarding the information contained in the consolidated financial statements of the Group for year 2016 have taken place.

### *2.5 Relative importance*

In determining the information to be disclosed in these Notes on the sundry items of the Consolidated Condensed Financial Statements or other matters, the Group has, in accordance with IAS 34, taken into account the materiality principle.

### *2.6. Consolidated Condensed cash flow statement*

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

1. Cash flows: inflows and outflows of cash and cash equivalents.

2. Operating activities: activities that constitute the main source of revenue of the Company and other activities that cannot be classified as investment or financing

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

4. Financing activities: activities that produce changes in the size and composition of the equity capital and borrowings of the Company.

For the purpose of elaborating the consolidated summary cash flow statements, cash in hand and deposits held at call with banks have been classified as "cash and cash equivalents", as well as short term highly liquid investments that are easily convertible into amounts of cash and which are subject to an insignificant risk of changes in value.

### *2.7 Comparison of information*

Information recorded on the Summary Half-Year Financial Statements for the period ending 30 June 2016 and Year Financial Statements for the period ending 31 December 2016, are provided for comparison purposes only with that provided as of the Half-Year ended 30 June 2017.

### *2.8 Events after the reporting period*

There are not significant events occurring after 30 June 2017 which could impact the Consolidated Summary Half-Yearly Financial Statements and the Notes to the same.

## 3. Changes in the compositions of the Group

Note 2.4 and Exhibits I, II and III to the consolidated financial statements for year ending on 31 December 2016 provide relevant information on Group companies consolidated at that date and on the companies accounted for using the equity method.

During the first half of 2017, the following changes have taken place within the consolidation scope:

1. On 3 January 2017, the Group company "GSJ Soutions S:L." has established a branch office in Peru. The purpose of this branch office is the development of the activity of the Group in said country.

2. On 25 January 2017, the contract for the sale of shares of the group company “Eskonel Company, S.A.” has been formalised, outstanding verification and review by the buyer. Therefore, at 31 December 2016 the Group recorded all associated assets (stake cost in associates and trade receivables and financial receivables) under the item “Non-current assets held for sale” in the consolidated balance sheet, without any liabilities associated to said assets.

   On 25 May 2017, and after completion of the verification and closing procedures established in the agreement of intent, the sale operation was perfected, by which the Group has fully sold its stake in the company Group "Eskonel Company, SA", whose main activity is the holding of shares in the share capital of the companies "Vengano, SA", "Fingano, SA" and "Drilpen, SA", all related to the development of activity in construction and management of wind farms in Uruguay. The price amounted to EUR 3,370 thousand, reflecting a positive result for the Group amounting to EUR 1,476 thousand, recorded under "Impairment and result from disposal of financial instruments" in the accompanying consolidated condensed income statement for the first half of 2017 (see Note 10).

4. During the first half of 2017, the Group has become 100% owner of the share capital of the Paraguayan company “Meditación S.A.”, without any prior activity. The Group intends to provide the company with agricultural and livestock activities, especially those derived from the reception and management of assets received from the harmonic and friendly division in favour of the shareholders of the associate "Cresca, S.A.". Currently, the process of splitting assets of the company "Cresca, S.A." in favour of its shareholders is being carried out, and it is expected to be completed during the second half of 2017.

## 4. Distribution of the Parents' loss

The proposed distribution of the company's loss for year 2016, prepared by the Directors of the Company, at its meeting held on 28 February 2017, has been approved by the General Meeting of Shareholders held on 22 June 2017, being the details as follows:

| | Thousand of Euros |
|---|---|
| **Distribution basis:** | |
| Loss for the year | 41,659 |
| **Application:** | |
| To be allocated to accumulated losses. | 41,659 |

## 5. Information by segments

Note 6 to the consolidated financial statements of the Group for year ending on 31 December 2016, details the criteria used by the Company to define its operational segments. There have been no changes in the segmentation criteria.

***Information by main segments:***

Next, information by activity segments for the first half of 2017 and 2016 is provided:

*30 June 2017:*

| | Thousand of Euros | | | | | |
|---|---|---|---|---|---|---|
| | **Construction** | **Real estate and property development** | **Energy** | **Concessions and Services** | **Adjustments and other** | **TOTAL** |
| External sales | 290,309 | 3,472 | 5,939 | 23,511 | 8,810 | **332,041** |
| Inter-segment sales | 1,083 | - | - | 80 | (1,163) | - |
| **Net Revenues:** | **291,392** | **3,472** | **5,939** | **23,591** | **7,647** | **332,041** |
| | | | | | | |
| **EBITDA** | **13,216** | **1,094** | **1,901** | **851** | **3,319** | **20,381** |
| Amortisation | (2,734) | (128) | (889) | (194) | (97) | **(4,042)** |
| Provisions | 1,550 | 185 | (70) | 99 | (670) | **1,094** |
| Profit/(Loss) after disposal | 214 | - | - | 1 | - | **215** |
| **Profit/(Loss) from operations** | **12,246** | **1,151** | **942** | **757** | **2,552** | **17,648** |
| Financial income | 4,255 | 1,001 | - | 7,182 | (3,684) | **8,754** |
| Financial costs and similar expenses | (7,129) | (378) | (309) | (4,858) | 745 | **(11,929)** |
| Translation differences and other | (4,754) | 27 | (22) | (2,036) | 4,545 | **(2,240)** |
| Profit/(loss) from associates | - | 570 | - | - | (934) | **(364)** |
| **Profit/(Loss) before tax** | **4,618** | **2,371** | **611** | **1,045** | **3,224** | **11,869** |

30 June 2016:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | **Construction** | **Real estate and property development** | **Energy** | **Concessions and Services** | **Adjustments and other** | **TOTAL** |
| External sales | 226,862 | 11,072 | 5,276 | 18,904 | 8,242 | **270,356** |
| Inter-segment sales | 2,111 | - | - | 115 | (2,226) | - |
| **Net Revenues:** | **228,973** | **11,072** | **5,276** | **19,019** | **6,016** | **270,356** |
| | | | | | | |
| **EBITDA** | **13,928** | **4,128** | **1,397** | **937** | **1,153** | **21,543** |
| Amortisation | (1,397) | (152) | (764) | (433) | (54) | **(2,800)** |
| Provisions | (2,282) | 434 | 98 | 6 | (84) | **(1,828)** |
| Profit/(Loss) after disposal | (11) | - | - | - | - | **(11)** |
| **Profit/(Loss) from operations** | **10,238** | **4,410** | **731** | **510** | **1,015** | **16,904** |
| Financial income | 3,165 | 1,214 | 1 | 8,008 | (2,833) | **9,555** |
| Financial costs and similar expenses | (8,342) | (571) | (418) | (5,197) | 417 | **(14,111)** |
| Translation differences and other | 125 | (257) | (4) | 2,748 | (3,346) | **(734)** |
| Profit/(loss) from associates | (517) | 866 | (175) | - | (409) | **(235)** |
| **Profit/(Loss) before tax** | **4,691** | **5,662** | **135** | **6,069** | **(5,178)** | **11,379** |

Sales between segments take place at market prices and consist mainly in construction, real estate and urban development transactions.

Information regarding the amount of assets and liabilities contributed to the Group by the defined segments is as follows:

<u>*30 June 2017:*</u>

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Construction | Real estate and property development | Energy | Concessions and Services | Adjustments and other | TOTAL |
| **Balance sheet:** | | | | | | |
| **Non-current assets:** | | | | | | |
| Intangible assets | 2,378 | 1 | 18,134 | - | 8,496 | **29,009** |
| Property, plant and equipment | 13,396 | 13 | 10,316 | 2,269 | 19,973 | **45,967** |
| Real estate investments | 612 | 3,348 | - | - | 4 | **3,964** |
| Deferred tax assets | 18,100 | 1,790 | 2,162 | 444 | 8,747 | **31,243** |
| Other | 14,897 | 36,260 | 4 | 100,155 | 10,672 | **161,988** |
| **Current assets:** | | | | | | |
| Inventories | 63,313 | 34,796 | (34) | 1,268 | 5,545 | **104,888** |
| Receivables | 209,466 | 2,662 | 3,523 | 13,285 | 7,725 | **236,661** |
| Other current assets | 1,905 | (157) | 73 | 2,168 | 8,883 | **12,872** |
| Short-term financial investments | 15,573 | 108 | 801 | 74,176 | 1,061 | **91,719** |
| Cash and cash equivalents | 142,772 | 34,904 | 4,111 | 11,837 | 8,428 | **202,052** |
| **Total Assets** | | | | | | |
| In Spain | 215,789 | 37,544 | 39,090 | 9,082 | 38,060 | **339,565** |
| In foreign countries | 266,623 | 76,181 | - | 196,520 | 41,474 | **580,798** |
| | **482,412** | **113,725** | **39,090** | **205,602** | **79,534** | **920,363** |
| **Non-current liabilities:** | | | | | | |
| Long-term payables | 212,837 | 2,841 | 8,355 | 99,571 | 106,343 | **429,947** |
| Deferred tax liabilities | 1,927 | 1 | 1,424 | 9,497 | 2,049 | **14,898** |
| Other non-current liabilities | 23,736 | 1,421 | 1,211 | 5,396 | (4,364) | **27,400** |
| **Current liabilities:** | | | | | | |
| Short-term debts | 22,620 | 11,079 | 948 | 30,416 | 3,159 | **68,222** |
| Trade payables | 329,022 | 9,189 | 2,743 | 6,772 | 10,474 | **358,200** |
| Other current liabilities | 21,729 | 7,162 | 1,014 | 11,771 | 6,200 | **47,876** |
| **Total Liabilities** | | | | | | |
| In Spain | 408,571 | 6,198 | 15,695 | 3,618 | 114,293 | **548,375** |
| In foreign countries | 203,300 | 25,495 | | 159,805 | 9,568 | **398,168** |
| | **611,871** | **31,693** | **15,695** | **163,423** | **123,861** | **946,543** |
| **Additions to fixed assets:** | | | | | | |
| In Spain | 651 | - | 556 | 69 | (20) | **1,256** |
| In foreign countries | 1,667 | 4 | - | 10 | 162 | **1,843** |
| | **2,318** | **4** | **556** | **79** | **142** | **3,099** |

31 December 2016:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Construction | Real estate and property development | Energy | Concessions and Services | Adjustments and other | TOTAL |
| **Balance sheet:** | | | | | | |
| **Non-current assets:** | | | | | | |
| Intangible assets | 3,852 | 2 | 18,168 | - | 8,519 | **30,541** |
| Property, plant and equipment | 13,034 | 37 | 10,540 | 2,380 | 19,909 | **45,900** |
| Real estate investments | 870 | 3,838 | - | - | 3 | **4,711** |
| Deferred tax assets | 18,613 | 2,374 | 2,136 | 656 | 9,060 | **32,839** |
| Other | 15,710 | 34,917 | 4,593 | 140,537 | 12,497 | **208,254** |
| **Current assets:** | | | | | | |
| Inventories | 63,002 | 36,928 | 18 | 1,390 | 2,784 | **104,122** |
| Receivables | 211,341 | 2,429 | 3,649 | 12,243 | 7,620 | **237,282** |
| Other current assets | 2,823 | - | - | 2,076 | 9,992 | **14,891** |
| Short-term financial investments | 21,985 | 33 | 460 | 68,639 | 1,123 | **92,240** |
| Cash and cash equivalents | 187,030 | 34,572 | 3,514 | 15,599 | 11,124 | **251,839** |
| **Total Assets** | | | | | | |
| In Spain | 215,052 | 38,161 | 38,359 | 9,334 | 39,219 | **340,125** |
| In foreign countries | 323,208 | 76,969 | 4,719 | 234,186 | 43,412 | **682,494** |
| | **538,260** | **115,130** | **43,078** | **243,520** | **82,631** | **1,022,619** |
| **Non-current liabilities:** | | | | | | |
| Long-term payables | 234,465 | 2,705 | 9,046 | 138,212 | 104,758 | **489,186** |
| Deferred tax liabilities | 2,234 | 1 | 1,426 | 10,227 | 1,603 | **15,491** |
| Other non-current liabilities | 30,689 | 1,679 | 1,119 | 1,022 | (4,581) | **29,928** |
| **Current liabilities:** | | | | | | |
| Short-term debts | 15,471 | 11,437 | 1,036 | 33,604 | 2,176 | **63,724** |
| Trade payables | 370,885 | 10,083 | 2,415 | 6,469 | 5,890 | **395,742** |
| Other current liabilities | 23,023 | 8,580 | 750 | 10,558 | 8,266 | **51,177** |
| **Total Liabilities** | | | | | | |
| In Spain | 425,046 | 6,265 | 15,343 | 3,345 | 110,909 | **560,908** |
| In foreign countries | 251,721 | 28,220 | 449 | 196,747 | 7,203 | **484,339** |
| | **676,767** | **34,485** | **15,792** | **200,092** | **118,112** | **1,045,248** |
| **Additions to fixed assets:** | | | | | | |
| In Spain | 550 | - | 673 | 387 | 70 | **1,679** |
| In foreign countries | 5,779 | - | - | 465 | 98 | **6,342** |
| | **6,329** | **-** | **673** | **852** | **167** | **8,021** |

There are no significant non-operating assets.

***Information by 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 assets | | Additions to property, plant and equipment and investment property | |
| | **Jun.-17** | **Jun.-16** | **Jun.-17** | **Dec.-16** | **Jun.-17** | **Jun.-16** |
| Spain | 132,447 | 103,713 | 339,565 | 340,125 | 1,256 | 654 |
| Portugal | 28,758 | 34,880 | 25,041 | 24,727 | 10 | 27 |
| Cape Verde | 20,325 | 16,794 | 18,899 | 37,161 | 920 | 1,255 |
| Argentina | 5,453 | 1,744 | 65,189 | 66,869 | 202 | 41 |
| Uruguay | - | - | - | 4,722 | - | - |
| The United States | - | - | 1,011 | 1,242 | - | - |
| Peru | 2,807 | 21,773 | 66,099 | 69,936 | - | 2 |
| Brazil | - | - | 8,336 | 8,472 | - | - |
| Panama | - | - | 593 | 667 | - | - |
| France | - | - | 955 | 745 | - | - |
| Germany | - | - | 41 | 41 | - | - |
| Chile | 43,119 | 19,137 | 245,245 | 299,023 | 20 | 85 |
| India | 12,322 | 12,949 | 4,247 | 6,155 | - | 3 |
| Abu Dhabi | 79,672 | 54,063 | 112,672 | 123,364 | 691 | 138 |
| Nepal | - | 369 | 17,468 | 18,313 | - | 212 |
| Timor | 62 | 3,211 | 3,646 | 5,219 | - | - |
| Congo | - | 331 | 1,720 | 5,792 | - | - |
| Morocco | - | - | 72 | 70 | - | - |
| Mozambique | - | - | 75 | 60 | - | - |
| Colombia | - | - | - | 10 | - | - |
| Mexico | 3,976 | 1,392 | 5,243 | 6,279 | - | - |
| Malta | 3,100 | - | 4,246 | 3,627 | - | |
| **TOTAL** | **332,041** | **270,356** | **920,363** | **1,022,619** | **3,099** | **2,417** |

Note 2.3 details the main foreign currencies of the countries where the Group operates. From total assets at 30 June 2017 and 31 December 2016, EUR 550,515 thousand and EUR 653,354 thousand, respectively, correspond to assets in a currency other than the Euro. Likewise, from total revenue for the first half of year 2017 and year 2016, the activity developed in said countries amounts to EUR 167,736 thousand and EUR 131,763 thousand, respectively.

## 6. Property, plant and equipment

Breakdown of this item in the condensed consolidated balance sheet at 30 June 2017 and 31 December 2016, is as follows:

| | Thousands of Euros | |
|---|---|---|
| | **30.06.2017** | **31.12.2016** |
| Goodwill on consolidation (Note 6.1) | 9,984 | 9,984 |
| Concession agreements (Note 6.2) | 15,512 | 15,490 |
| Other items of property, plant and equipment (Note 6.3) | 3,513 | 5,067 |
| **Total** | **29,009** | **30,541** |

### *6.1 Goodwill arising on consolidation.*

Breakdown of "Goodwill arising on consolidation" in the condensed consolidated balance sheet at 30 June 2017 and 31 December 2016, detailed by companies, is as follows:

| | Thousands of Euros | |
|---|---|---|
| | **30.06.2017** | **31.12.2016** |
| 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 |
| Other | 121 | 121 |
| **Total net** | **9,984** | **9,984** |

During the first half of year 2017 no significant changes have been recorded under this item in the accompanying condensed consolidated balance sheet, as well as not loss due to impairment has been recorded.

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.

### *6.2 Concession agreements*

This item mainly includes investments made with regards to concession agreements, for which the consideration received by the Group consists of the right to charge a fixed and a variable stake, which is based on market rates and other parameters established by applicable regulations, as well as the degree of use of the facilities, assuming the risk of recovery of the investment made (assuming the risk of demand). Further, it includes costs incurred into by the Group for the achievement of administrative and other licenses and permits.

Breakdown of this item for the first half of year 2017 is as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | **Cost** | **Amortisation** | **Net** |
| **Balance at 31 December 2016** | **28,402** | **(12,912)** | **15,490** |
| Additions | 556 | (534) | 22 |
| Disposals | (1,959) | 1,959 | - |
| **Balance at 30 June 2017** | **26,999** | **(11,487)** | **15,512** |

During the first half of 2017, additions totalling EUR 556 thousand have been added under this item, mainly corresponding to the cost of the pipelines and adjustments made by the Group's company "Polygeneration Parc de L'Alba ST-4, SA "to provide energy supply to new customers.

Withdrawals correspond to write-off of assets associated with concession agreements, as they come to an end. It mainly corresponds to assets of the Group company of the "Tecnocontrol Servicios, S.A.U.", allocated to the provision of services rendered under concession regime at Torrecárdenas Hospital during the first half of 2017, being fully amortised.

At 30 June 2017, there are no significant investment commitments in intangible assets.

### *6.3 Other intangible assets*

Breakdown of this item for the first half of year 2017 is as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | Cost | Amortisation | Net |
| **Balance at 31 December 2016** | **5,893** | **(826)** | **5,067** |
| Additions | 2 | (1,465) | (1,463) |
| Exchange rate differences | (165) | 74 | (91) |
| **Balance at 30 June 2017** | **5,730** | **(2,217)** | **3,513** |

During the first half of year 2017, no significant changes have been recorded under this item.

## 7. Property, plant and equipment

Breakdown of this item for the first half of year 2017, is as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Cost | Accumulated amortisation | Impairment | Net |
| **Balance at 31 December 2016** | **100,357** | **(53,413)** | **(1,044)** | **45,900** |
| Additions | 2,541 | (1,907) | - | 634 |
| Disposals | (2,099) | 1,248 | 267 | (584) |
| Transfers | 403 | (156) | - | 247 |
| Exchange rate differences | (629) | 378 | 21 | (230) |
| **Balance at 30 June 2017** | **100,573** | **(53,850)** | **(756)** | **45,967** |

During the first half of year 2017, no significant changes have been recorded under this item.

Additions occurred correspond mainly to investment in machinery and technical facilities incurred into by the Group for the development of construction activity. Likewise, during the first half of year 2017, the Group has carried put improvement and refurbishment works of its office buildings for a total amount of EUR 456 thousand.

Withdrawals refer mainly to the sale of machinery and technical facilities associated to works upon their completion, obtaining an insignificant positive result.

At 30 June 2017 and 31 December 2016 there are specific property, with a carrying amount of approximately EUR 8,498 thousand and EUR 8,558 thousand, respectively, act as collateral for part of the syndicated loan of the Group which amounted to EUR 23.4 million at both dates (see Note 14.4).

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.

At 30 June 2017, the Group does not hold any purchase commitments of property, plant and equipment.

## 8. Property investment

Breakdown of this item for the first half of year 2017, is as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Cost | Accumulated amortisation | Impairment | Net |
| **Balance at 31 December 2016** | **7,817** | **(3,081)** | **(25)** | **4,711** |
| Additions | - | (136) | - | (136) |
| Exchange rate differences | (679) | 316 | - | (363) |
| Transfers and other | (404) | 156 | - | (248) |
| **Balance at 30 June 2017** | **6,734** | **(2,745)** | **(25)** | **3,964** |

**8.1 Mortgaged investment property**

At 30 June 2017 and 31 December 2016, the Group does not have real estate assets as collateral for mortgage investments.

In addition to this, certain investment property recorded for a total net cost amounting at 30 June 2017 and 31 December 2016 to EUR 859 thousand and EUR 870 thousand, respectively, act as security of the syndicated loan of the Group for EUR 2,566 thousand at both dates (see Note 14.4).

**8.2. Fair value of financial instruments**

Each year the Group commissions studies from independent valuers to determine the fair values of its investment property at the balance sheet date. At 30 June 2017 and 31 December 2014, said studies were conducted by "Instituto de Valoraciones, S.A.". Such valuations were performed on the basis of the sale value and lease value of the property on the market (which consists of capitalising the net income from each property and discounting future flows), 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. The fair value was calculated using the discount rates acceptable to a prospective investor and in line with those applied by the market for properties of similar characteristics in similar locations.

According to the above-mentioned study, both, during the first half of 2017 and during year 2016, no significant changes have been recorded in the assessment of real estate investments of the Group.

At 30 June 2017 and 31 December 2016, the fair value of the Group 's inventories based on the aforementioned study amounted to EUR 72.7 million and EUR 74.6 million, respectively. Said amount, at 30 June 2017 and 31 December 2016, includes EUR 36.1 million and EUR 36.6 million, respectively, corresponding to real estate investments of investees according to the Groups' ownership interest.

**8.3 Insurance policy**

The Group takes out insurance policies to cover the possible risks to which substantially all its inventories are subject. Directors consider that contracted coverage insurance at 30 June 2017 is sufficient.

## 9. Financial Assets

### *9.1. Non-current financial assets*

The detail of the non-current financial assets of the Company at 30 June 2017 is as follows:

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | **Other financial assets at fair value with changes in income statement** | **Financial assets held available for sale** | **Loans and receivables** (Note 18) | **Investments until maturity** | **Total** |
| Equity instruments | 49,736 | 3,425 | - | - | **53,161** |
| Credits and loans granted | - | - | 455 | - | **455** |
| Other financial assets | - | - | - | 108,372 | **108,372** |
| **Total** | **49,736** | **3,425** | **455** | **108,372** | **161,988** |

***Investments accounted for using the equity method***

The Group's most significant investments in associates at 30 June 2017 and 31 December 2016 were as follows:

| | Thousands of Euros | |
|---|---|---|
| | **30.06.2017** | **31.12.2016** |
| Distrito Castellana Norte, S.A. (DCN) | 26,096 | 26,400 |
| Panamerican Mall, S.A. (PM) | 7,999 | 8,484 |
| Pinar de Villanueva, S.L. | 5,663 | 5,665 |
| Cresca, S.A. (Note 3) | 9,978 | 12,117 |
| **Total net** | **49,736** | **52,666** |

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 company has developed any activities necessary for the acquisition of land property of the Administrator of Railway Infrastructures (ADIF) and Renfe-Operadora, for its urban development after the final approval of the Partial Plan and 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 company, together with the Madrid City Council, the Community of Madrid, the Ministry of Public Works and the other operators concerned, agreed to establish a joint committee with the aim of reaching a common agreement for the Preparation of a new Partial Internal Reform Plan that includes a new urban development framework for the project.

Likewise, during December 2016, the investee has signed an extension of the contract with ADIF, from which resulted in an extension in two additional years of the deadline established in the Basis Agreement formalized on 22 January 2015 for the approval of the Partial Plan of Internal Reform.

On 27 July 2017, the parties have reached an understanding on the basic guidelines of the future urban planning of the project, unblocking the operation. These basic guidelines will be developed and specified in a specific modification of the general urban development plan of Madrid.

Up to this point, there is evidence of an uncertainty in the fair value of the Group's financial holding in this company. However, the current expectations are very positive. The Group supports the project as it has been doing since the beginning and has not doubts about the recoverability of this participation's amount registered in its consolidated financial statements.

The breakdown under this item in the consolidated condensed financial statements for the first half of 2017, is as follows:

| | Thousands of Euros |
|---|---|
| **Balance at 31 December 2016** | **52,666** |
| Loss for the year | (364) |
| Changes in the scope of consolidation (Note 3) | - |
| Distribution of dividends | (2,287) |
| Exchange rate differences | (279) |
| **Balance at 30 June 2017** | **49,736** |

Appendix II to the consolidated financial statements of the Group for the year ending 31 December 2016 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 30 June 2017 (first six months of 2017):*

| | Millions of Euros | | |
|---|---|---|---|
| | **DCN** | **PM** | **Cresca, S.A.** |
| Non-current assets | 3.3 | 25.1 | 48.1 |
| Current assets | 116.4 | 41.7 | 3.8 |
| **Total Assets** | **119.7** | **66.8** | **51.9** |
| Non-current liabilities | 7.5 | 0.5 | - |
| Current liabilities | 5.6 | 18.6 | 20.9 |
| **Total Liabilities** | **13.1** | **19.1** | **20.9** |
| Income from ordinary activities | - | 7.9 | - |
| Profit/(Loss) from continuing operations | (1.2) | 2.6 | (2.5) |
| Profit/(Loss) for the year | (1.2) | 2.6 | (2.5) |

*At 31 December 2016 (year ending 31 December 2016):*

| | Millions of Euros | | |
|---|---|---|---|
| | **DCN** | **PM** | **Cresca, S.A.** |
| Non-current assets | 2.7 | 27 | 50.3 |
| Current assets | 120.3 | 44.4 | 10.4 |
| **Total Assets** | **123.0** | **71.4** | **60.7** |
| Non-current liabilities | 9.6 | 0.5 | - |
| Current liabilities | 5.5 | 29.3 | 25.5 |
| **Total Liabilities** | **15.1** | **29.8** | **25.5** |
| Income from ordinary activities | - | 22.3 | - |
| Profit/(Loss) from continuing operations | (1.8) | 9.7 | 1.1 |
| Profit/(Loss) for the year | (1.8) | 9.7 | 1.1 |

A summary of the financial information of the main investees included within the accounting records of the Group is provided next:

*At 30 June 2017:*

| | Millions of Euros | | |
|---|---|---|---|
| | **DCN** | **PM** | **Cresca** |
| Total net equity | 107.9 | 47.8 | 31.9 |
| % ownership of Grupo SANJOSE | 24.46% | 20.0% | 50.0% |
| Net carrying amount of the stake (NCV) | 26.4 | 9.6 | 16.0 |
| Amendments of the NCV and other | (0.3) | (1.7) | (6.1) |
| **Cost of the Groups' stake** | **26.1** | **7.9** | **9.9** |

*At 31 December 2016:*

| | Millions of Euros | | |
|---|---|---|---|
| | **DCN** | **PM** | **Cresca** |
| Total net equity | 109.8 | 49.2 | 35.1 |
| % ownership of Grupo SANJOSE | 24.46% | 20.0% | 50.0% |
| Net carrying amount of the stake (NCV) | 26.9 | 9.8 | 17.6 |
| Amendments of the NCV and other | (0.5) | (1.3) | (5.5) |
| **Cost of the Groups' stake** | **26.4** | **8.5** | **12.1** |

### *Investments available for sale*

The financial assets presented above basically represent investments in equity securities of unlisted entities. These ownership interests are stated at the underlying carrying amount. In the event of listed companies, the lower quoted value at the end of the financial year or the average quotation of the last quarter is taken as reference of the recoverable value.

Net cost at which interest ownership of the Group is recorded, by associate, at 30 June 2017 and 31 December 2016 is as follows:

| Company | Thousands of Euros | |
|---|---|---|
| | **30.06.2017** | **31.12.2016** |
| Bodegas Altanza, S.A. | 994 | 994 |
| Unirisco S.C.R., S.A. | 469 | 469 |
| Filmanova, S.A. | 37 | 37 |
| Editorial Ecoprensa, S.A. | 833 | 787 |
| Oryzon Gernomics, S.A. (*) | 772 | 1,411 |
| Other | 320 | 363 |
| | **3,425** | **4,061** |

(*) company listed in the Stock Exchange Market

### *Loans and receivables*

This item includes mainly the participation loan granted to the associate "Pinar de Villanueva, S.L." amounting to EUR 455 thousand at 30 June 2017 and 31 December 2016 (see Note 3.6). Since it is an equity loan, accrued financial interests are linked to the profit of the associates (see Note 18).

### *Non-current investments held until maturity*

This item includes mainly loans and receivables due to certifications issued by Group company "Sociedad Concesionaria San José-Tecnocontrol, S.A.", for a total amount of EUR 99,700 thousand and EUR 140,457 thousand at 30 June 2017 and 31 December 2016, respectively, as payment of the execution works of the Hospitals of Maipu and La Florida, in compliance with IFRIC12 (see Note 2.1 to the consolidated financial statements for year 2016) for concessions with no demand risk.

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 and 2017. The Group records the outstanding receivables under non-current or current, based on the maturity of the outstanding instalments, discounting the financial effect of the deferral of collection. During the first half of 2017 and 2016, the Group has recorded finance income arising from the update of said items amounting to EUR 5,245 thousand and EUR 5,745 thousand, respectively.

Further, at 30 June 2017 and 31 December 2016, "Other current financial assets" records a short-term receivable amounting to EUR 37,590 thousand and EUR 40,051 thousand, respectively (see Note 9.2).

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.

### *9.2. Current financial assets*

The detail of the current financial assets at 30 June 2017, is as follows:

| | Thousands of Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Financial assets held for trading** | **Other financial assets at fair value with changes in income statement** | **Financial assets held available for sale** | **Loans and receivables** (Note 18) | **Investments until maturity** | **Hedge derivatives** | **Total** |
| Credits granted | - | - | - | 8,407 | - | - | **8,407** |
| Other financial assets | - | - | - | - | 91,719 | - | **91,719** |
| **Total** | - | - | - | **8,407** | **91,719** | - | **100,126** |

#### *Loans and receivables*

This item includes the outstanding amount of the loan granted by the Group company “Puerta de Segura, S.A.” to the associate “Cresca, S.A.”, for a net amount of EUR 8.407 thousand at 30 June 2017.

#### *Current investments held until maturity*

This item includes deposits at banks, short-term deposits and other receivables maturing in over three months. At 30 June 2017, it mainly includes amounts arising from short-term taxes amounting to € 35,272 thousand, being its use partially restricted in accordance with provisions under the management agreement for the hospitals in Chile, as well as the issuance of bonds in said country, for a total amount of EUR 30,743 thousand. With regards to the outstanding amount, there are not restrictions related to its use.

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 37,590 thousand, at 30 June 2017, as short-term receivable (March year 2018) as remuneration for the construction of the Hospitals of Maipu and La Florida, in Santiago de Chile (see Note 9.1).

Similarly, at ·0 June 2017 it includes receivables from the company “Sociedad Concesionaria San José Rutas del Loa, S.A.” and the branch office of "Constructora San Jose, S.A." in Nepal, amounting to EUR 5,665 thousand and EUR 5,771 thousand, respectively, due to the termination of the contract and the execution of guarantees on first demand, partially provisioned in the accompanying consolidated condensed balance sheet, covering substantially the possible contingency that could arise for the Group in a negative resolution scenario (see Note 13).

### *9.3 Trade receivables and customer advances*

The detail of "Trade receivables for sales and services" at 30 June 2017 and 31 December 2016, is as follows:

| | Thousands of Euros | |
|---|---|---|
| | **30.06.2017** | **31.12.2016** |
| Progress billings receivable and trade receivables for sales and provision of services | 163,971 | 142,477 |
| Executed works pending billing (OEPC) | 38,262 | 47,275 |
| Retentions for guarantees | 14,606 | 22,328 |
| Customers, discounted instruments | 19,668 | 25,441 |
| Impairment | (33,931) | (34,657) |
| **Total** | **202,576** | **202,864** |
| Advances | (105,579) | (140,472) |
| **Total net accounts receivable** | **96,997** | **62,392** |

Group management considers that the carrying amount of trade and other receivables approximates their fair value.

The item “Executed works pending billing - OEPC” includes executed works pending certification for construction contracts of the Group amounting to EUR 38,262 thousand. Said amount, includes:

- Differences between executed works, at sale price, and certifications issued until current date according to the applicable contract, amounting to EUR 19,758 thousand.

- Amendments amounting to EUR 11,058 thousand. It includes executed items currently undergoing negotiations with customers, as it corresponds to variations in the scope of, amendments to or additional works to those contemplated in the original contract.

- Claims amounting to EUR 7,446 thousand. It includes, in a partial way, executed units subject to claims, currently in dispute resolution process, either because no agreement has been reached with the client or because the arbitration is the form established by the contract for the resolution of conflicts. Dispute resolution processes are expected to be settled in favour of the Group, at least for the amount recorded on the balance sheet.

"Trade payables" under current liabilities on the consolidated condensed balance sheet at 30 June 2017 and 31 December 2016, includes EUR 105,579 thousand and EUR 140,472 thousand, respectively, corresponding to "Advances from customers" for work certified in advance and advances received for a total amount of EUR 42,009 thousand and EUR 63,570 thousand, respectively, at 30 June 2017. Work certified in advance is recognised as a lower income of the Group, according to the application of the method of recognition of income by progress of work.

## 10. Held-for-trading non-current assets

As a result of the memorandum of understanding signed on 25 January 2017 for the sale of wind farms in operation that constitute the main business of the company "Eskonel Company, SA", through its stake in the associates "Vengano , SA "," Fingano, SA "and" Drilpen, SA ". Therefore, at 31 December 2016 the Group recorded all associated assets (stake cost in associates and trade receivables and financial receivables) under the item “Non-current assets held for sale” in the consolidated balance sheet, without any liabilities associated to said assets.

On 25 May 2017, and upon completion of the verification and closing established in the memorandum of understanding, the sale of the Group's stake in the company "Eskonel Company, SA" was perfected, for a total price of sale amounting to EUR 3,370 thousand, receiving also trade and financial receivables related to the unit sold. Therefore, a positive result for the Group amounting to EUR 1,476 thousand, recorded under "Impairment and result from disposal of financial instruments" in the accompanying consolidated condensed income statement for the first half of 2017 has been recorded (see Note 10).

## 11. Inventories

The detail of this item at 30 June 2017 and 31 December 2016, is as follows:

| | Thousands of Euros | |
|---|---|---|
| | **30.06.2017** | **31.12.2016** |
| Acquired property | 9,723 | 9,723 |
| Land and plots of land | 69,570 | 70,122 |
| Raw materials and other supplies | 7,425 | 5,475 |
| Developments under construction | | |
| - Long-cycle developments under construction | - | - |
| - Short-cycle developments under construction | - | 108 |
| Completed construction works | 9,763 | 10,756 |
| Advances to suppliers | 18,111 | 17,801 |
| Issuance rights | (35) | 7 |
| Impairment losses on inventories | (9,669) | (9,870) |
| | **104,888** | **104,122** |

Borrowing costs for financing the development of property inventories incurred in the year are capitalised by the Company only when they are associated with those inventories whose production cycle is longer than a year. During the first half of 2017 and 2016, no financial expense has been recorded.

At 30 June 2017 and 31 December 2016, the Group owned assets recorded as inventories for a net cost of EUR 9,625 thousand and EUR 9,729 thousand, respectively, used as collaterals for mortgage loans or developer loans granted by financial entities for an amount drawn of EUR 5,950 thousand and EUR 6,015 thousand, respectively (see Note 14.3).

In addition to this, certain assets recorded under this item for a total net cost amounting at both, 30 June 2017 and 31 December 2016, to EUR 9,245 thousand act as collateral of the syndicated loan of the Group for EUR 8,244 thousand (see Note 14.4) at both dates.

During the first half of 2017, and based on real estate assets valuations performed by independent experts (see Note 11.3), the Group has not considered carrying out valuation corrections.

### *11.1 Land purchase commitments*

At 30 June 2017, 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 650 thousand, amount recognised under "Advance payments to suppliers" in the accompanying consolidated balance sheet.

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.

Remaining recorded payments in advance at 30 June 2017 are not related to real estate. Yet, they refer to payments in advance to suppliers for the acquisition of raw materials and/or the provision of services.

### *11.2 Commitments to sell property developments in progress and completed buildings*

At 30 June 2017 and 31 December 2016, 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 7,264 thousand and EUR 7,829 thousand. At said date, the Group had received advances from the related customers totalling EUR 249 thousand and EUR 406 thousand, respectively.

### *11.3 Impairment losses on inventories*

Each year the Group commissions studies from independent valuers to determine the fair values of its inventories at the balance sheet date. At 30 June 2017 and 31 December 2014, said studies were conducted by "Instituto de Valoraciones, S.A.". Such valuations were performed on the basis of the sale value and lease value of the property on the market (which consists of capitalising the net income from each property and discounting future flows), 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.

The comparison method (for finished products) and the static and dynamic residual method (basically for plots of land and developments under construction) were used to calculate the fair value. 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.

At 30 June 2017 and 31 December 2016, the fair value of the Group 's inventories based on the aforementioned study amounted to EUR 159.8 million and EUR 164.3 million, respectively.

### *11.4 Insurance policy*

The Group takes out insurance policies to cover the possible risks to which substantially all its inventories are subject. Directors consider that contracted coverage insurance at 30 June 2017 is sufficient

### 11.5 Issuance rights

At 30 June 2017, "Inventories" includes the emission rights of greenhouse gases received by the company of the Group "Polygeneration Parc de l'Alba ST-4, SA" which are pending redemption against the Public Administration, with a total cost amounting to EUR 20 thousand, not having associated any deterioration. During 2017, we received emission rights for EUR 13 thousand, having proceed to the redemption against the public administration for the emission rights for CO2 emissions for year 2016 amounting to EUR 87 thousand, being largely provisioned under the item "Short-term provisions" under current liabilities on the consolidated balance sheet of the Group at 31 December 2016.

At 30 June 2017, under "Emission rights", the Group also includes a negative amount of EUR 55 thousand for the consumption of rights in 2017, which at the end of the first half of the year have not yet been subject of redemption before the Public Administration. This expense has been recorded under "Procurements" in the accompanying consolidated income statement for the year 2017.

## 12. Net equity

### *12.1 Share capital*

At 30 June 2017 and 31 December 2016, 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 average quote for the last quarter of 2016 has been EUR 3.23 and EUR 3.04, respectively. The closing and average quote for the last quarter of 2017 has been EUR 3.55 and EUR 3.37, respectively.

At 30 June 2017, the Group holds an ownership interest of 10% of the company's share capital. Mr. Jacinto Rey Gonzalez, with direct and effective ownership interest of 24.952% and 48.292%, respectively.

The General Shareholders' Meeting of the Parent held on 24 June 2015 approved the issuance of warrants to creditors in the syndicated loan of "Grupo Empresarial San José, S.A." for a total amount of € 100 million (see Note 14.4), depending on the participation of each financial entity in said loan, excluding the pre-emptive subscription right and the corresponding capital increase, on the proposal of the report made by the Directors of the Company dated 20 May 2015.

Said transaction was performed according to the provisions under the finance debt restructuring contract of the Group signed on 30 December 2014 (see Note 14.4). The capital increase shall be exclusively disbursed through the offsetting of credit rights derived from the financial restructuring contract, in the event that the rights incorporated into the warrants become effective, for the portion of the loan assumed by the Parent that is not attended at maturity date, the greater of: i) the nominal value of the shares of "Grupo Empresarial San José, SA"; and (ii) the weighted average share price of the Company's shares during the 20 trading days prior to the debt maturity date (31 October 2019), with a limit of 35% of the Company's current share capital.

Issued warrants are associated to the syndicated loan and cannot be transmitted independently.

### *12.2 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.

### *12.3 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 31 December 2016, and at the current date, the minimum amount of this reserve was fully incorporated.

### *12.4 Restrictions on the distribution of dividends*

There are limitations to dividends that are detailed in Note 14.4, based on the commitments made in the context of the syndicated loan.

### *12.5 Valuation adjustments*

This item of the consolidated half-yearly financial statements includes mainly the net amount of variations in fair value of certain derivative instruments (see Note 14.5), under the provisions of IAS 32 and 39.

### *12.6 Treasury shares*

At 30 June 2017, the Parent did not hold any treasury shares neither had executed transactions with treasury shares during the first half of 2017.

### *12.7 Equity of the Parent*

According to Article 363 of the Companies Act (LSC), companies must be dissolved whenever losses have reduced its equity to less than the half, except whether the same is increased or is reduced to a sufficient extent, and provided it is not precedent to request the bankruptcy declaration. As stated in Article 36 of the Commercial Code, net equity for such purposes is the amount that qualifies as such in the financial statements, plus the amount of the non-required subscribed capital, as well as the nominal amount and issuance premiums or the assumption of the subscribed capital that is accounted as liabilities. Likewise, adjustments due to changes in cash flow hedges shall not be classified as net equity.

On the other hand, according to article 20 of Royal Decree 7/1996, as of 7 June, participating loans qualify as net equity for capital decrease and settlement of companies pursuant to trade regulations.

At 30 June 2017, the parent records a positive net equity amounting to EUR 38,905 thousand, below the subscribed and paid up capital. Therefore, there is an equity unbalance according to provisions of Art. 327 and Art 363 of the Companies Act. Yet, the Parent Company has a participating loan at 30 June 2017 amounting to EUR 106,248 thousand (see Note 14), received from creditor financial institutions, that comes to strengthen its financial position.

## 13. Current and non-current provisions

Breakdown of these items within the consolidated summary balance sheet for the first half of year 2017, is as follows:

| | Thousands of Euros | |
|---|---|---|
| | **Long-term provisions** | **Short-term provisions** |
| **Balance at 31 December 2016** | **28,963** | **42,386** |
| Provisions | 12 | 7,790 |
| Reversals | (59) | (6,188) |
| Applications | (1,732) | (1,115) |
| Exchange rate differences and other | (721) | (1,501) |
| **Balance at 30 June 2017** | **26,463** | **41,372** |

### *13.1. Non-current provisions:*

This item mainly includes provisions to cover possible contingencies that may arise in the Group, arising from litigation and court proceedings.

Note 15 to the consolidated financial statements for year 2016 describes the main litigation and court proceedings and other risks provisions at said date.

During the first half of 2017 no significant changes with regards to litigation proceedings have taken place.

### *13.2. Current provisions:*

Current provisions classified under "Short-term provisions" include estimated amounts to face possible business contingencies. Likewise, this item includes the margin expected for completing those contracts were a negative result has been forecast.

## 14. Financial Liabilities

Breakdown of this item on the condensed consolidated balance sheet at 30 June 2017 and 31 December 2016, is as follows:

*30 June 2017:*

| | Thousands of Euros | | |
|---|---|---|---|
| | **Debts and accounts payable** | **Derivatives** | **Total** |
| **Non-current financial liabilities:** | | | |
| Obligations and other securities (Note 14.1) | 99,487 | - | **99,487** |
| Bank borrowings (Note 14.2) | 326,113 | - | **326,113** |
| Derivatives (Note 14.5) | - | 735 | **735** |
| Other financial liabilities | 3,612 | - | **3,612** |
| **Total non-current** | **429,212** | **735** | **429,947** |
| **Current financial liabilities:** | | | |
| Obligations and other securities (Note 14.1) | 30,405 | - | **30,405** |
| Bank borrowings (Note 14.2) | 34,306 | - | **34,306** |
| Derivatives (Note 14.5) | - | - | **-** |
| Other financial liabilities | 3,511 | - | **3,511** |
| **Total current** | **68,222** | **-** | **68,222** |

*31 December 2016:*

| | Thousands of Euros | | |
|---|---|---|---|
| | **Debts and accounts payable** | **Derivatives** | **Total** |
| **Non-current financial liabilities:** | | | |
| Obligations and other securities (Note 14.1) | 138,075 | - | **138,075** |
| Bank borrowings (Note 14.2) | 346,685 | - | **346,685** |
| Derivatives (Note 14.5) | - | 906 | **906** |
| Other financial liabilities | 3,520 | - | **3,520** |
| **Total non-current** | **488,280** | **906** | **489,186** |
| **Current financial liabilities:** | | | |
| Obligations and other securities (Note 14.1) | 33,594 | - | **33,594** |
| Bank borrowings (Note 14.2) | 27,242 | - | **27,242** |
| Derivatives (Note 14.5) | - | 2 | **2** |
| Other financial liabilities | 2,886 | - | **2,886** |
| **Total current** | **63,722** | **2** | **63,724** |

The items "Other non-current financial liabilities" and "Other current financial liabilities" include, mainly, debts of companies of the Group with minority shareholders for the acquisition of property assets. Likewise, it includes real estate liabilities.

### *14.1 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. Further, the surplus has been used to partially settle the syndicated loan of “Constructora San José. S.A.” amounting to EUR 7 million, and the settlement of derivative financial instruments, property of “Sociedad Concesionaria San José-Tecnocontrol S.A.”. It is amortised on an annual basis by means of fixed instalments amounting to UF 1,014 thousand, 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 2017, the Company has paid the third instalment.

There are no other additional guarantees from said financing transaction.

Syndicated loan amortisation shall be executed in seven annual payments due as of 30 June from 2015 to 2021. The outstanding principal of these loans at 30 June 2017 matures approximately as follows:

| Thousands of Euros (*) | | | | |
|---|---|---|---|---|
| **Year 2018** | **Year 2019** | **Year 2020** | **Outstanding years** | **Total** |
| 30,405 | 31,773 | 32,748 | 34,966 | **129,892** |

*(*) Gross amounts prior to deducing borrowing costs, amounting to EUR 3,941 thousand at 30 June 2017.*

### *14.2 Bank borrowings*

Breakdown of this item on the condensed consolidated balance sheet is as follows:

| | Thousands of Euros | |
|---|---|---|
| | **30.06.2017** | **31.12.2016** |
| **Non-current:** | | |
| Finance leases | - | 162 |
| Bank loans and credit facilities | 14,293 | 15,035 |
| Syndicated loan "Grupo Empresarial San José, S.A." (Note 14.4) | 106,248 | 104,664 |
| Syndicated loan "Constructora San José, S.A" (Note 14.4) | 205,572 | 226,824 |
| **Total non-current** | **326,113** | **346,685** |
| **Current:** | | |
| Finance leases | 350 | 372 |
| Syndicated loan (Note 14.4) | 21,900 | 15,260 |
| Bank loans and credit facilities | 6,106 | 5,595 |
| Total mortgage loans secured by inventories (Note 14.3) | 5,950 | 6,015 |
| **Total current** | **34,306** | **27,242** |
| **TOTAL** | **360,419** | **373,927** |

All these loans bear interest at a rate tied to EURIBOR plus a market spread.

At 30 June 2017, "Non-current bank borrowings and loans" under non-current liabilities includes mainly:

- A balance for EUR 7,066 thousand corresponding to Project finance, granted for the construction, commissioning and operation of the Plant and the facilities of the Group company Poligeneraci Parc de LAlba ST-4, S.A.'s Policy Project (see Note 6.2). Said plant acts as collateral for credit facilities, without recourse for the Group.

- EUR 6,356 thousand for credit facilities granted by Banco Popular, with maturity in 2019 and for a variable interest rate according to three-month Euribor plus a market spread.

"Bank borrowings and loans" from current liabilities of the attached consolidated balance sheet at 30 June 2017 and 31 December 2016 includes EUR 1,315 thousand and EUR 1,344 thousand, respectively, for financial expenses pending settlement at said dates. EUR 1,210 thousand (EUR 1,231 thousand at 31 December 2016) refer to the syndicated credit of the company (see Note 14.4).

### *14.3 Mortgage loans*

At 30 June 2017 and 31 December 2016, the Groups records as collateral to mortgage loans, real estate assets for a net cost amounting to EUR 9,625 thousand and EUR 9,729 thousand, respectively (see Note 11).

*Mortgage loans secured by inventories*

All the bank borrowings associated with "Inventories" (regardless of the maturity thereof) are recorded in the consolidated balance sheet under "Current Liabilities".

These mortgage loans bear annual floating interest at a market rate, which in 2017 ranged from 2.75% to 3.00%.

The outstanding principal of these loans at 30 June 2017 matures approximately as follows:

| Thousands of Euros | | | | |
|---|---|---|---|---|
| Year 2017 | Year 2018 | Year 2019 | Year 2020 and following | TOTAL |
| 113 | 1,416 | 237 | 4,184 | **5,950** |

### *14.4 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 credit contract assumed by “Constructora San José, S.A.” and arranged into the following stretches:

Stretch A: for a total amount of EUR 250 million and having a maturity of five years, renewable for another year (provided certain terms are satisfied), with a progressive payment schedule; At 30 June 2017, the amount recorded amounts to EUR 227 million. Maturity of the outstanding amount shall be paid according to the following schedule:

| Thousands of Euros | | | |
|---|---|---|---|
| Year 2017 | Year 2018 | Year 2019 | TOTAL |
| 11,550 | 20,700 | 195,222 | **227,472** |

On 30 April 2017, EUR 11,550 thousand have been paid. Likewise, during the first half of year 2017, the Group has carried out an early partial repayment for a total amount of EUR 3,063 thousand. At 30 June 2017, total partial early repayment paid by the Group amounts to EUR 10,979 thousand,

Quarterly settlement of accrued financial interest is established. At 30 June 2017 and 31 December 2016, the amount of outstanding finance expense accrued amounts to EUR 1,210 thousand and EUR 1,231 thousand, respectively.

A set of working capital credit facilities: a set of working capital credit facilities, including discounts, confirming and guarantees, available to Constructora San José, S.A and companies within its scope of consolidation:

- Trade and financial discount tranche amounting to EUR 49 million
- Confirming tranche amounting to EUR 28.8 million.
- A tranche for tender and performance guarantees amounting to EUR 241.4 million.
- Financial bank guarantees amounting to EUR 98 million for recurrent financial bank guarantees and USD 8 million for non-recurrent financial bank guarantees.
- Stretch B: financing credit facilities for the execution of guarantees amounting to EUR 10 million.

As a consequence of the debt, “Constructora San José, S.A.” is released from the sole guarantees granted to financial creditors of “San José Desarrollos Inmobiliarios, S.A.U.”. Likewise, it is subject to the fulfilment of compulsory minimum financial ratios regarding EBITDA and the debt status as from 31 December 2015.

- EBITDA: referring to "Constructora San Jose, S.A. and Subsidiaries" Annual requirements are set out.

- Debt coverage ratio: referring to "Constructora San Jose, S.A. and Subsidiaries". It shall be calculated quarterly on a year-on-year basis.

The Directors of the Parent deem at 30 June 2017 that the Group meets all the requirements.

**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 2% fixed interest rate to be increased up to 3% interest rate on the third and fourth year and a 4% interest rate on the fifth year, including a variable rate according to the outcome of the Group, with a 5-year bullet maturity, while being released from the guarantees granted pursuant to the previous financing agreement.

Early repayment of the amount of this agreement includes certain descending repayment charges or discounts of nominal value according to early repayment instalments.

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).

Conversion shall take place at market price of shares of Grupo San José by reference to the weighted average price of the previous 20 sessions prior to the maturity date. The commitment of the issuance of the warrants has been formalized in an agreement that reflects the conditions and terms for issuance and the rules for their eventual conversion into shares of Grupo San José.

Warrants will not be listed on any secondary markets and shall only be transferable with debt of Grupo San José. Therefore, its fair value of zero, both at the initial and subsequent recognition.

During the first half of the year 2015, the judicial approval of the said agreements of novation was obtained in compliance with the Fourth Additional Provision of the Bankruptcy Act.

At 30 June 2017 and 31 December 2016, the Group has real estate assets amounting to EUR 18, 601 thousand and EUR 18,464 thousand, which guarantee the syndicated credit for EUR 34,176 thousand at both dates.

### *14.5 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 2016, derivative financial instruments of Grupo SANJOSE are mainly Interest Rate Swaps and cross-currency swaps. During the first half of 2017, no significant changes have taken place.

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 30 June 2017 and 31 December 2016, together with their fair value at said date, are the following:

*At 30 June 2017*

| | | | Thousands of Euros | | |
|---|---|---|---|---|---|
| **Company** | **Financial Instrum.** | **Maturity** | **Initial par value** | **Remaining par value at 30.06.2016** | **Balance at 30.06.2017** (Note 14) |
| **Efficient Hedges:** | | | | | |
| Poligeneraciò Parc de l´Álba ST-4, S.A. | Swap | 15/12/2021 | 15,451 | 6,273 | (735) |
| **TOTAL** | | | **15,451** | **6,273** | **(735)** |

*At 31 December 2016*

| | | | Thousands of Euros | | |
|---|---|---|---|---|---|
| **Company** | **Financial Instrum.** | **Maturity** | **Initial par value** | **Remaining par value at 31.12.2016** | **Balance at 31.12.2016** |
| **Efficient Hedges:** | | | | | |
| Outdoor King, S.A.U. | CCS-usd | 16/01/2017 | 230 | 230 | 3 |
| Outdoor King, S.A.U. | CCS-usd | 15/05/2017 | 118 | 118 | (2) |
| Poligeneraciò Parc de l´Álba ST-4, S.A. | IR Swap | 15/12/2021 | 15,451 | 7,545 | (906) |
| **TOTAL** | | | **15,799** | **7,893** | **(905)** |

Assets and liabilities as hedge financial instruments include the changes in the measurement of fair value of hedge financial instruments. At 30 June 2017, 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 IAS 39 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 30 June 2017 and 31 December 2016, the change in fair value of Derivative Financial Instruments allocated as Hedge Elements for their effective portion accumulated in Equity amounts to EUR 579 thousand and EUR 711 thousand, respectively

During the first half of 2017 and during year 2016, EUR 183 thousand and EUR 412 thousand have been recycled from equity to interest costs as greater financial interest, respectively, as interests being hedged pursuant to allocated Hedging Relationships were recorded.

**Measurement of efficiency of financial instruments**

According to IAS 39, the Group has decided to adopt hedge accounting policy. Therefore, certain formal requirements shall be implemented and tests shall be carried put in order to ensure the efficiency of hedge accounting relationships. A hedging relationship is considered efficient as long as efficiency ratios reach 80-125% (application guide 105 of IAS 39) and meet the previous drafting requirements. A hedging relationship is considered efficient as long as efficiency ratios reach 80-125% (application guide 105 of IAS 39) and meet the previous drafting requirements.

The efficiency measurement method used by the Group is detailed under Note 17 to the consolidated financial statements for year 2016.

**Sensitivity analysis of interest rate and exchange rate**

Changes in the fair value of interest rate derivatives arranged by the Group depend on:

a) Changes in the long-term Euro interest rate and Swaps curve and CLP interest rate curve.

b) Changes in currency swaps depend on the average exchange rate of Unidades de Fomento (UF) and Chilena Pesos (CLP).

At 30 June 2017, changes in the value of financial instruments due to changes in interest rates is not significant.

**The fair value of financial instruments.**

Fair value of financial instruments at amortised cost

There are no significant differences between "accounting value" and "fair value" measuring of financial instruments at amortised cost.

Applicable pricing techniques and hypothesis to measure fair value:

Fair value of financial assets and liabilities will be established as follows:

• The fair value of financial assets and liabilities with standard terms and conditions and traded in active and liquid markets will be established tied to market quoted prices.

• The fair value of other financial assets and liabilities (excluding derivatives) will be established according to generally accepted pricing models based on cash flow discounts using market trading prices and quotes from contributors for similar instruments.

• To determine the fair value of interest rate derivatives, cash flow discount based on assumptions established by the interest rate curve according to market conditions is used. 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.

Financial instruments can be grouped in levels ranging from 1 to 3 according to the level in which the fair value can be observed:

• Level 1: Those tied to quoted prices (without adjustment) in active markets for identical assets or liabilities.

• Level 2: Those tied to other inputs (excluding quoted prices included in level 1) observed for assets and liabilities, either directly (i.e., prices) or indirectly (i.e., derived from prices).

• Level 3: Those tied to pricing techniques, including inputs for assets and liabilities not based on observable market data (non-observable inputs).

The Group's derivative financial instruments at 30 June 2017 are classified under Level 2.

## 15. Guarantee commitments to third parties

At 30 June 2017 and 31 December 2016, the Group had received from banks and insurance companies guarantees provided to third parties amounting to EUR 357 million and EUR 356 million, respectively (mainly project and definite tender and performance bonds to public and private bodies), of which EUR 40 thousand correspond to the Parent at both dates, and the remaining to subsidiaries.

Of the total of guarantees provided to third parties by the Group, EUR 226 million (approximately 63%) relate to the international activity of the Group, mainly in Abu Dhabi, Peru and Chile, amounting to EUR 142 million, EUR 11 million and EUR 55 million, respectively.

Said guarantees related to the Parent and Associates correspond mainly to bid bonds and performance guarantees granted to public and private entities, mainly, Banks and insurance companies.

In addition, some associates have guarantee commitments to third parties, related to the corresponding business for EUR 12 million, 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 Directors do not consider any liability arising in connection to the committed guarantees.

## 16. Taxation

Directors of Grupo SANJOSE, for the preparation of this condensed consolidated financial statements at 30 June 2017, have taken into consideration the standards applicable during year 2017 up to now, without recording significant modifications with regards to the tax situation of the Group.

***Years open for review by the tax authorities***

Note 20.1 to the financial statements for year 2016 details the years open for review, as well as the main activities of the inspection. During year 2017 no significant changes have taken place.

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.

## 17. Other disclosure

### *17.1. Average workforce*

The average workforce by professional category, is as follows:

| | 30-06-2017 | | 31-12-2016 | |
|---|---|---|---|---|
| **Category** | **Men** | **Female** | **Men** | **Female** |
| University graduates | 377 | 92 | 396 | 78 |
| University three-year degree graduates | 346 | 78 | 251 | 57 |
| Clerical staff | 127 | 108 | 200 | 123 |
| Officers and technical personnel | 1,660 | 84 | 1,618 | 78 |
| | **2,510** | **362** | **2,465** | **336** |

The average workforce at 30 June 2017 amounted to 2,900, of which 2,534 were men and 366 women.

The average number in 2017 of employees with a disability greater than or equal to 33%, is similar to the one existing at 31 December 2016, being mainly middle and administrative graduates. The Group, taking into account the specific risk inherent in its activity, has recognised the exceptionality of hiring disabled workers, fulfilling it by contracting services with different special employment centres. These contracts are annual, incurring in an annual expense above the legally established minimum.

### *17.2. Financial income*

The consolidated income statement for the first half of 2017 includes, in addition to interest accrued by the Group's liquidity positions, the financial income associated with the account receivable from the Ministry of Public Works of Chile for the construction of Hospitals of Maipu and La Florida in Chile (see Note 9.1), amounting to EUR 5,245 thousand (EUR 5,745 thousand in the first half of 2016), as well as deferred interest amounting to EUR 747 thousand (EUR 340 thousand in the first half of 2016).

## 18. 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 | | | | | |
|---|---|---|---|---|---|---|
| | **Granted loans** (Notes 9.1 and 9.2) | **Accounts payables** | **Trade receivables** | **Finance expense** | **Financial income** | **Services received** |
| Panamerican Mall, S.A. | - | - | 1 | - | - | - |
| Cresca, S.A. | 8,407 | - | - | - | 251 | - |
| Pinos Altos XR, S.L. | - | 1,195 | - | 9 | - | 56 |
| Pinar de Villanueva, S.L. | 455 | - | - | - | - | - |
| Partners in JVs and other | - | 760 | - | 1 | - | 37 |
| **Total** | **8,862** | **1,955** | **1** | **10** | **251** | **93** |

## 19. Remuneration

### *19.1 Remuneration of Directors*

The detail of the remuneration of all kinds earned in 2017 and 2016 by the Directors of Grupo Empresarial San José, S.A., for any reason and by any group company, jointly controlled entity or associate obliged to pay such remuneration are as follows:

| | Thousands of Euros | |
|---|---|---|
| **Type of board members** | **30.06.2017** | **30.06.2016** |
| Executive board members | 1,690 | 1,637 |
| Independent board members | 112 | 36 |
| Other external board members | 9 | 14 |
| **Total** | **1,811** | **1,687** |

At 30 June 2017, 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 Group companies are covered by the "Corporate Insurance Policies for Directors and Officers" contracted by the parent company of the SANJOSE Group, in order to cover possible damages that may be claimed as a result of a management mistake, committed by its directors or managers, as well as those of its subsidiaries, in the exercise of their duties (see Note 24.1 of the Group's financial statements for the year 2016).

### *19.2 Remuneration and other benefits of senior executives*

Total remuneration of all kinds of Directors of the Parent and people discharging similar duties, excluding those who are simultaneously members of the Board of Directors (whose remuneration is disclosed above), is summarised as follows:

| Number of people | Thousands of Euros |
|---|---|
| **At June 2017:** | |
| 9 Directors | 661 |
| **At June 2016:** | |
| 13 Directors | 945 |

Neither the Parent, not any other company of the Group, have any pension or life insurance obligations to these directors.

*Translation into English of the Management Report for 1S-2017 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails. Inhouse translation, under its sole responsibility, and not deemed official*

# GRUPO EMPRESARIAL SAN JOSE, S.A. & SUBSIDIARIES

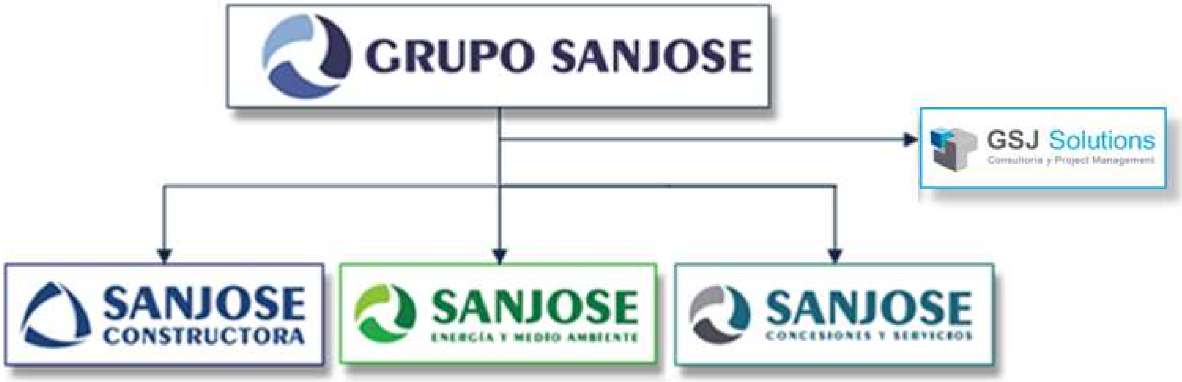
Directors' Report for the first half of 2017

## 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, becoming even more important during the last years as a consequence of the sale of the company San José Desarrollos Inmobiliarios, S.A.U.", main holder of real estate assets.

The Group has the following business lines.




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 the activities developed overseas, with a higher significance in the turnover of the Group. In 2016, 59% of the Group's total revenue comes from overseas. During the first half of 2017, international activity of the Group represents 60% total.

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

The basic strategies which characterise the Group can be summarised as follows:

- Industry diversification and internationalisation as the cornerstones of stability and growth.
- Integrated project management, offering a global service.
- Maintenance of the level of shareholder independence.
- Investment in human capital formation and cutting-edge technology to drive development.
- Priority to solvency and profitability over growth policies

The Group has the following objectives by type of activity:

**Construction:** to continue to influence the process of territorial diversification, combining it with the search for greater efficiencies in the cost structure. The clear objective of the Group is to consolidate itself as a benchmark for construction at a global level, maintaining a high level of quality standards, being strict in meeting deadlines, and maximizing customer satisfaction. Likewise, one of the main objectives is to increase the international presence in countries with sustainable growth, of high economic solvency and that present interesting business opportunities. On the other hand, to the extent that the national economy is in the interest of recovery, and given the improvement in macroeconomic forecasts, the Group wants to promote new opportunities for activity that arise within the national territory.

**Concessions:** Grupo SANJOSE is positioned in this line of business internationally. Of particular note are the Hospitals of Chile, which were completed and put into operation for 15 years, during the second half of 2013.

**Energy**: The Group has experience in the construction of industrial power plants: cogeneration power plants, wind farms, PV solar farms, etc. Likewise, it is specialised in the operation and maintenance of these facilities. Currently, it mainly focuses on the operation of the polygeneration plant of Cerdanyola del Vallés, whose concession extends until March 2047. Also, highlights the management and operation of a photovoltaic electric power generation plant in Jaen.

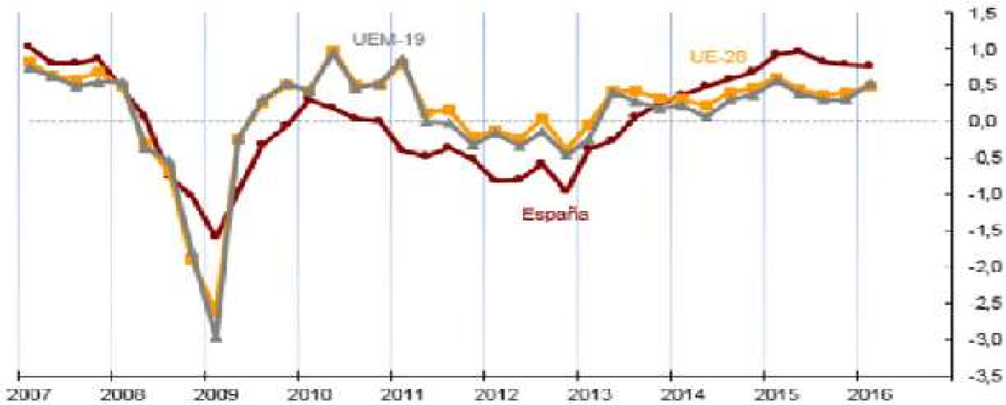
**Real Estate:** Following the sale of the company "San José Desarrollos Inmobiliarios, S.A.U." under the financial restructuring contract signed by the Group on 30 December 2014, real estate activity takes second place. The Group addresses this activity in a complementary way to the construction activity.

## 2. Evolution of the market

### 2.1. Market performance

The economic and financial crisis since the end of 2007 has resulted in an abrupt reduction in the level of activity from 2007 to present date, not only in Spain but throughout Europe as a whole. In the last two years signs of improvement have begun to appear.

**Gross Domestic Product Spain vs UE**




Source.: RTVE with data from INE

In year 2016, according to data from the National Statistics Institute (INE), the gross domestic product (GDP) in Spain reached 3.2% The GDP grew during the first three months of 2017, 0.8%, what involves surpassing, for the first time, the 1.116 trillion registered in 2008. That year marked the last record of production of goods and services in Spain. This means that the economy has accelerated with respect to the last quarter of 2016, when it grew by 0.7%. International Monetary Fund (IMF) growth estimates for Spain are positive, placing it as the European economy with the highest growth expected: a 2.6% growth in 2017 and 2.1% in 2018.

**Gross Domestic Product. GPD**


Source.: INE

The main causes of growth have been the increase in tourism visits, the moderate increase in domestic consumption and the progressive debt reduction of Spanish families (supported by a significant improvement in financial expectations and conditions, as well as the decline of prices during the last financial year). The creation of jobs is precisely the main driver of GDP. Although these are mostly precarious jobs, this increase in employment is directly transferred to disposable income of households and, therefore, to consumption. Likewise, the current expenditure of Public Administrations in GDP has improved. By components, the Bank of Spain expects the GDP growth to be supported by domestic demand, which will grow by 2.3% this year and go decelerating throughout 2018 (+ 2%) and 2019 (+1.9 %), while net exports will continue to contribute during the following three years, with a positive contribution of five tenths this year, three in 2018 and two in 2019.

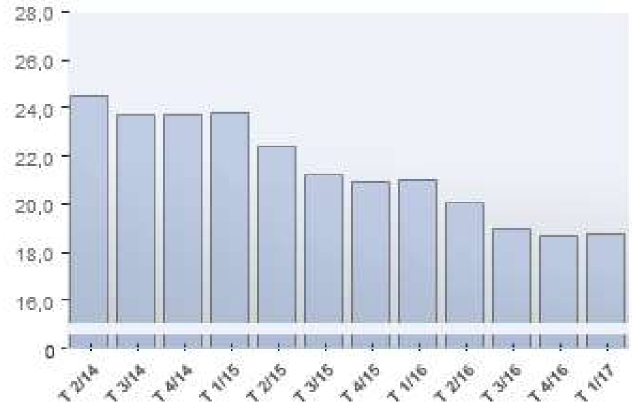
The influence of the construction sector on the cycle of global economic activity in Spain is very significant. Over the past few years, its role has been reduced by the current situation. Its importance lies in the drag effect of the construction sector on the whole economy, for the impact on suppliers and because it provides the country with the necessary measures to enable the economy infrastructure, thus contributing to the increase the productivity and the long-term growth capacity of the economy in general.

The change in the trend of the Spanish economy has been well seen from the outside. As a consequence, the risk perception of the foreign investor, which is translated into the risk premium (the difference between the 10-year Spanish bond with regards to the German bond for the same term, the most used indicator to quantify the risk) improved its position with regards to year end 2015 in 2016, recording new maximums since February in the risk premium of Spain, with levels approaching 160 basis points, closed the first quarter of 2017 at 138 points, what already represented a slight decrease compared to the end of 2016 and a return to 2015-year end levels, and closed the first half of 2017 at 107 points, what confirms the improvement in international perception.

However, in order to consolidate this trend change in the national economy, aspects such as employment, public debt and public deficit should be improved.

In terms of employment, in 2016 Spain created more than half a million jobs in a year. The recovery in the labour market has been maintained at the beginning of 2017, reducing the unemployment rate to 18.75% at the end of the first quarter of 2017. Social Security data show that temporary and / or partial jobs account for more than 40 % of all salaried employees.

**Labour Force Survey. Unemployment rate (%)**




Source.: INE

Although the figure at the end of the first quarter of 2017 was similar to that at the end of 2016, in April and May the contracting market have accelerated, leaving a figure of 3.46 million unemployed, which an annual decrease of 11% (according to data from the State Employment Service).

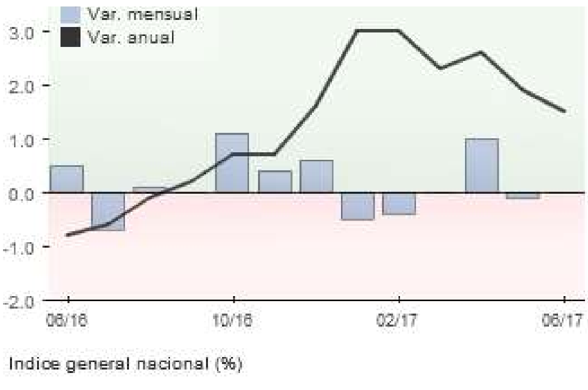
In relation to public debt, in April of this year it decreased by EUR 12,286 million compared to March, from EUR 1,129,378 million to EUR 1,117,092 million (100,38% of GDP).

With regards to public deficit, the closure of 2016 was positive for Spain: it met the deficit target of Public Administrations marked by European institutions. However, Spain is the EU country with a greater difference between public revenue and expenditure. The deficit last year reached 4.5% (4.3% excluding banking aid). The State deficit decreased by 31.6% in May compared to the same period of the previous year and stood at EUR 16,161 million, equivalent to 1.39% of GDP, thanks to the increase arising from the measures to increase corporate income tax.

In terms of inflation, Spain's Consumer Price Index (CPI) in June 2017 was 1.5%, what represents a fall of seven tenths compared to the first quarter of the year, mainly due to lower prices of fuels and the tourism sector, returning to levels similar to those at the end of 2016.

Indice de precios de consumo. IPC

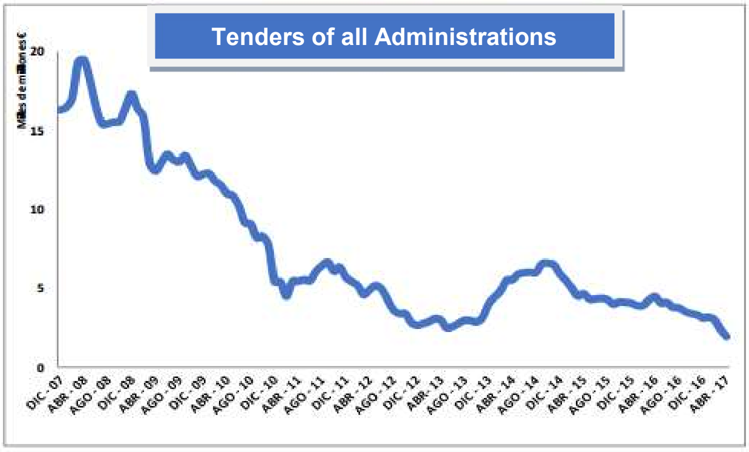
**Consumer price index.**



Source.: INE

The main domestic market in which the Group operates, construction, remains heavily affected by the recession, although there are indications of the country's economic recovery that are beginning to be seen. During 2016, it maintained a level of tenders similar to that of 2015, given the continuity of the public policy of reduction of the investment, of reduction of investment, by the adjustments to reach the objectives of deficit imposed by The European Commission (9.395 million SEOPAN data).

During the first months of year 2017, the decrease of public tenders is maintained, experiencing a reduction of around 11% (SEOPAN data accumulated until April 2017 vs 2016):




Source.: SEOPAN

Grupo SANJOSE is present in the Middle East, South America and Asia. At the close of the first half of 2017, the foreign business volume stood at 60% of the Group's total turnover compared to 59% in 2016.

The IMF's new forecasts envisage a sustained growth of emerging economies, albeit with downward revisions, mainly due to the downward correction in forecasts for Latin America and the Middle East (-0.1 and -0.5% in 2017), as a result of oil production cuts and idiosyncratic factors. The forecasts for emerging economies are 4.5% in 2017 and 4.8% in 2018.

The Group develops its activities in sectors, countries and socio-economic and legal environments that assume the assumption of different levels of risk caused by these conditions. Thus, it controls such risks in order to prevent them from causing a loss to the profitability of its shareholders or a problem for its customers. For this control task, it has instruments that allow them to be identified sufficiently in advance or avoided minimizing the risks.

The Group maintains a portfolio of EUR 1,723 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.

*Translation into English of the condensed consolidated half-year Financial Statements for the period ending 30 June 2017 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails. In-house translation, under its sole responsibility and not deemed official.*

## 2.2. Main figures of the GROUP

Main consolidated figures of Grupo SANJOSE for the first half of 2017 are as follows:

### Consolidated Management Balance Sheet

Thousands of euros

| | Jun. 17 | | Dic. 16 | | |
|---|---|---|---|---|---|
| | Amount | % | Amount | % | Var. |
| Intangible assets | 19,025 | 2.1% | 20,557 | 2.0% | -7.5% |
| Property, plant and equipment | 45,967 | 5.0% | 45,900 | 4.5% | 0.1% |
| Real state investments | 3,964 | 0.4% | 4,711 | 0.5% | -15.9% |
| Investments accounted | 50,191 | 5.5% | 53,121 | 5.2% | -5.5% |
| Long term finantial investments | 111,797 | 12.1% | 150,947 | 14.7% | -25.9% |
| Deferred taxes assets | 31,243 | 3.4% | 32,839 | 3.2% | -4.9% |
| Goodwill on consolidation | 9,984 | 1.1% | 9,984 | 1.0% | 0.0% |
| **TOTAL NON-CURRENT ASSETS** | **272,171** | **29.6%** | **318,059** | **31.1%** | **-14.4%** |
| Non current assets held for sale | 0 | 0.0% | 4,186 | 0.4% | |
| Inventories | 104,888 | 11.4% | 104,122 | 10.2% | 0.7% |
| Trade and other receivables | 241,126 | 26.2% | 242,529 | 23.7% | -0.6% |
| Other short term finantial investments | 100,126 | 10.9% | 101,884 | 10.0% | -1.7% |
| Cash and cash equivalents | 202,052 | 22.0% | 251,839 | 24.6% | -19.8% |
| **TOTAL CURRENT ASSETS** | **648,192** | **70.4%** | **704,560** | **68.9%** | **-8.0%** |
| **TOTAL ASSETS** | **920,363** | **100.0%** | **1,022,619** | **100.0%** | **-10.0%** |

Thousands of euros

| | Jun. 17 | | Dic. 16 | | |
|---|---|---|---|---|---|
| | Amount | % | Amount | % | Var. |
| Equity attributable to shareholders of the parent | 60,933 | 6.6% | 60,737 | 5.9% | 0.3% |
| Minority interest | 19,133 | 2.1% | 21,297 | 2.1% | -10.2% |
| **TOTAL EQUITY** | **80,066** | **8.7%** | **82,034** | **8.0%** | **-2.4%** |
| Long term provisions | 26,463 | 2.9% | 28,963 | 2.8% | -8.6% |
| Long term finantial liabilities | 322,964 | 35.0% | 383,617 | 37.5% | -15.8% |
| Long term derivative finantial contracts | 735 | 0.1% | 906 | 0.1% | -18.9% |
| Deferred taxes liabilities | 14,898 | 1.6% | 15,491 | 1.5% | -3.8% |
| Other long term liabilities | 937 | 0.1% | 965 | 0.1% | -2.9% |
| **TOTAL NON CURRENT LIABILITIES** | **365,999** | **39.8%** | **429,942** | **42.0%** | **-14.9%** |
| Short term provisions | 41,372 | 4.5% | 42,386 | 4.1% | -2.4% |
| Short term finantial liabilities | 68,222 | 7.4% | 63,724 | 6.2% | 7.1% |
| Payables to related companies | 69 | 0.0% | 2,620 | 0.3% | -97.4% |
| Trade accounts and other current payables | 364,635 | 39.6% | 401,913 | 39.4% | -9.3% |
| **TOTAL CURRENT LIABILITIES** | **474,298** | **51.5%** | **510,643** | **50.0%** | **-7.1%** |
| **TOTAL EQUITY & LIABILITIES** | **920,363** | **100.0%** | **1,022,619** | **100.0%** | **-10.0%** |

- **Management Net Equity:** EUR 106.2 million and EUR 104.7 million have been recorded under this item at 30 June 2017 and 31 December 2016, respectively, as shareholder loan of Grupo Empresarial San José, S.A.

### Consolidated Management Income Statement

Main consolidated figures of Grupo SANJOSE for the first half of year 2017 (1S-2017), having recorded a EUR 7.9 million profit versus the EUR 5.1 million in the same period of previous year, are as follows.

Thousands of euros

| | Grupo SANJOSE | | |
|---|---|---|---|
| | **Jun. 17** | **Jun. 16** | **Var.(%)** |
| Revenue | 332,041 | 270,356 | 22.8% |
| Operating cash flow (EBITDA) | 20,381 | 21,543 | -5.4% |
| EBITDA margin | 6.1% | 8.0% | |
| Ordinary operating profit (EBIT) | 17,648 | 16,904 | 4.4% |
| EBIT margin | 5.3% | 6.3% | |
| Earnings before tax | 11,869 | 11,379 | 4.3% |
| Income tax | -3,987 | -6,246 | -36.2% |
| Profit/(Loss) for the period | 7,882 | 5,132 | 53.6% |
| **Backlog (millions of euros)** | **1,723** | **2,012** | **-14.4%** |

To be highlighted:

- 22.8% revenue increase, amounting turnover for 1S-2017 to EUR 332 million.
- 4.4% increase of the operating profit for the period.
- EUR 7.9 million net profit for 1S-2017, 53.6 increase with regards to the same period of the previous year.
- Construction activity contributes 87.8% total activity of the Group, and EBITDA of this activity represents 65% total Grupo SANJOSE.

### Alternative Performance Measures (APM):

In the consolidated financial statements for the year ending 31 December 2016, the Group presents its results in accordance with generally accepted accounting standards (IFRS - see Note 2.1 of the accompanying consolidated notes). However, directors of the Group believe that certain alternative performance measures (APMs) reflect the true and fair view of its financial information and provide useful additional financial information used in the management of the business and therefore must be considered to adequately assess the performance of the group.

Among others, the Group identifies the following APMs:

- **EBITDA:** gross operating result, calculated from operating income, excluding from this figure the amount of depreciation, provisions and impairment provided or reversed during the period, as well as the result from disposal of property, plant and equipment.

- **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.

  (*) The Group does not include as bank financial debt the derivative of the syndicated loan agreement of "Grupo Empresarial San José, SA", amounting to EUR 106.2 million and EUR 104.7 million have been recorded under this item at 30 June 2017 and 31 December 2016, respectively, as shareholder loan of Grupo Empresarial San José, S.A.

- **Backlog:** total amount of sales contracted by Group companies with customers, discounting the part realised and recognised as income in the income statement. With regards to concessions, the total amount of sales has been identified with the best estimate made by the Group, which is included in the economic-financial business plan of the concession.

**Revenue:**

Net revenue of Grupo SANJOSE for 1S-2017 stands at EUR 332 million, experiencing a 22.8% increase compared to the same period of the previous year.

One more quarter, the construction business activity keeps gaining importance within the Group's revenue, representing 87.8% total revenue, versus 84.6% for the same period of the previous year.

This activity represents 57% contract backlog of the Group at the end of the first half of 2017. Construction turnover for 1S-2017 stands at EUR 291.4 million, recording a 27.3% increase compared to the same period of the previous year.

The real estate division, as already recorded in previous quarters in 2016 and during the first quarter of 2017, decreases 68.6% with regards to that obtained in the same period of the previous year, mainly due to the commissioning of stage IX of the residential development Parques de la Huaca in Lima (Peru), for being in its final stage.

On the other hand, sales of the Energy line of activity have increased 12.6% with regards to the same period of the previous year reaching EUR 5.9 million in 1S-2017 and representing 1.8% total activity of the Group

The Concessions and Services business line, the second most important activity for the Group, increases in 24% its revenue for the period, compares to the same period of the previous year, recording EUR 23.6 million turnover.

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

Thousands of euros

| | Grupo SANJOSE | | | | |
|---|---|---|---|---|---|
| **Revenues by activity** | **Jun. 17** | | **Jun. 16** | | **Var.(%)** |
| Construction | 291,392 | 87.8% | 228,973 | 84.6% | 27.3% |
| Real estate and property development | 3,472 | 1.0% | 11,072 | 4.1% | -68.6% |
| Energy | 5,939 | 1.8% | 5,276 | 2.0% | 12.6% |
| Concessions and services | 23,591 | 7.1% | 19,019 | 7.0% | 24.0% |
| Adjustment and other | 7,647 | 2.3% | 6,016 | 2.2% | |
| **TOTAL** | **332,041** | | **270,356** | | **22.8%** |

The international market gains significant importance for the Group representing 60% total revenue of Grupo SANJOSE, following the trend of 1S-2016.

Sales of the Group increase in 22.8% in 1S-2017 with regards to the same period of the previous year. In the domestic market, sales increase in 27.7%, while sale in the international market increase in 19.8%.

Thousands of euros

| Revenues by geography | Grupo SANJOSE | | | | |
|---|---|---|---|---|---|
| | Jun. 17 | | Jun. 16 | | Var.(%) |
| National | 132,447 | 40% | 103,713 | 38% | 27.7% |
| International | 199,594 | 60% | 166,643 | 62% | 19.8% |
| **TOTAL** | **332,041** | | **270,356** | | **22.8%** |

**Profit:**

**EBITDA** of Grupo SANJOSE for 1S-2017 amounts to EUR 20.4 million, representing 6.1% on net revenue, compared to 8% in 1S-2016. This reduction is mainly due to the evolution of the real estate activity, as a consequence of the reduction in activity in Peru.

The Construction line of activity provides in 1S-2017 an EBITDA amounting to EUR 13.2 million.

Also noteworthy was the evolution of the Energy business line of activity, where EBITDA increased by 36.1% in 1S-2017 with regards to the same period of the previous year, and the decrease of EBITDA of the Concessions and Services business line of activity, with a slight margin reduction from 4.9% in 1S-2016 to 3.6% in 1S-2017.

Breakdown of EBITDA by sector for 1S-2017 is as follows:

Thousands of euros

| EBITDA by activity | Grupo SANJOSE | | | | |
|---|---|---|---|---|---|
| | Jun. 17 | | Jun. 16 | | Var.(%) |
| Construction | 13,216 | 64.9% | 13,928 | 64.8% | -5.1% |
| Real estate and property development | 1,094 | 5.4% | 4,128 | 19.2% | -73.5% |
| Energy | 1,901 | 9.3% | 1,397 | 6.5% | 36.1% |
| Concessions and services | 851 | 4.2% | 937 | 4.2% | -9.2% |
| Adjustment and other | 3,319 | 16.3% | 1,153 | 5.4% | |
| **TOTAL** | **20,381** | | **21,543** | | **-5.4%** |

**EBIT** of Grupo SANJOSE for 1S-2017 amounts to EUR 17.6 million, improving 4.4% with regards to the same period of the previous year and representing a 5.3% margin on net revenue.

**Profit after taxes of Grupo SANJOSE for 1S-2017 amounts to EUR 7.9 million.**

**Management net equity**

Management net equity of the Grupo SANJOSE at 30 June 2017 amounts to EUR 80.1 million, being the main variation from the amount shown in December 2016 the profit for the period. The Grupo SANJOSE has granted a participatory loan, up to EUR 106.2 million at 30 June 2017, which guarantees the equity balance.

The stock market evolution and any other related information may be seen in note 9 of the accompanying directors' report.

**Backlog**

The backlog of Grupo SANJOSE, which indicates the Group's future contracted business, amounts to EUR 1,723 million at June 30, 2017. The detail is as follows:

Millions of euros

| BACKLOG by segment | Grupo SANJOSE Jun. 17 | | Dic. 16 | | Var.(%) |
|---|---|---|---|---|---|
| **Construction** | **986** | **57%** | **1,134** | **60%** | **-13.1%** |
| Civil works | 143 | 8.3% | 214 | 11.4% | -33.1% |
| Non residential building | 611 | 35.4% | 720 | 38.2% | -15.1% |
| Residential building | 228 | 13.3% | 195 | 10.4% | 17.0% |
| Industrial | 4 | 0.2% | 7 | 0.3% | -42.0% |
| **Energy** | **501** | **29%** | **506** | **27%** | **-0.9%** |
| **Concessions and services** | **236** | **14%** | **248** | **13%** | **-5.0%** |
| Maintenance | 23 | 2% | 23 | 1% | -2.0% |
| Concessions | 213 | 12% | 226 | 12% | -5.8% |
| **TOTAL BACKLOG** | **1,723** | **100%** | **1,889** | **100%** | **-8.8%** |

Millions of euros

| BACKLOG by geography | Grupo SANJOSE Jun. 17 | | Dic. 16 | | Var.(%) |
|---|---|---|---|---|---|
| **National** | **915** | **53%** | **872** | **46%** | **5.0%** |
| **International** | **807** | **47%** | **1,017** | **54%** | **-20.6%** |
| **TOTAL BACKLOG** | **1,723** | | **1,889** | | **-8.8%** |

Millions of euros

| BACKLOG by client | Grupo SANJOSE Jun. 17 | | Dic. 16 | | Var.(%) |
|---|---|---|---|---|---|
| **Public client** | **1,000** | **58%** | **1,215** | **64%** | **-17.7%** |
| **Private client** | **723** | **42%** | **674** | **36%** | **7.2%** |
| **TOTAL BACKLOG** | **1,723** | | **1,889** | | **-8.8%** |

Project backlog experiments a slight decrease of 8.8% with regards to the same period of the previous year, being stable both in volume and distribution by type of activity geographic area and type of customer, highlighting total international backlog represents 53%.

## 2.3. Analysis by sector

### Construction

This construction line of activity has generated revenues for EUR 291.4 million during 1S-2017, representing a 27.3% increase compared to the same period of the previous year.

EBITDA for 1S-2017 stands at EUR 13.2 million, representing a 4.5% margin on sales.

At the end of the first half of 2017, project backlog for this line of activity amounts to EUR 986 million.

Thousands of euros

| CONSTRUCTION | Grupo SANJOSE Jun. 17 | Jun. 16 | Var.(%) |
|---|---|---|---|
| Revenue | 291,392 | 228,973 | 27.3% |
| Earnings before interest, taxes, D&A (EBITDA) | 13,216 | 13,928 | -5.1% |
| EBITDA margin | 4.5% | 6.1% | |
| Earnings before interest and taxes (EBIT) | 12,246 | 10,261 | 19.4% |
| EBIT margin | 4.2% | 4.5% | |
| Earnings before tax of continued operations | 4,618 | 4,690 | -1.5% |

Revenue breakdown for this line of activity of Grupo SANJOSE, taking into consideration the main types of business, as well as the geographical distribution, is as follows:

Thousands of euros

| DETAIL OF CONSTRUCTION REVENUES | National | | Internac. | | Total | |
|---|---|---|---|---|---|---|
| Civil works | 4,363 | 4.0% | 15,485 | 8.5% | 19,848 | 6.8% |
| Non residential building | 81,662 | 74.9% | 132,700 | 72.7% | 214,362 | 73.5% |
| Residential building | 16,731 | 15.3% | 33,561 | 18.4% | 50,291 | 17.3% |
| Industrial | 6,342 | 5.8% | 549 | 0.3% | 6,890 | 2.4% |
| **TOTAL** | **109,098** | **37%** | **182,295** | **63%** | **291,392** | |

Construction revenue at international level for 1S-2017 stands at EUR 182.3 million, recording a 24.4% increase compared to the same period of the previous year, and representing 63% total revenue of this line of activity.

On the other hand, sales at domestic market stand at EUR 109.1million compared to EUR 82.4 million for the same period of the previous year, recording a 32.3% increase. Domestic sales represent 37% total sales of this line of activity.

As a whole, sales within the Construction line of activity increase 27.3%.

### Real estate

Revenue for 1S-2017 for the real estate activity of Grupo SANJOSE stands at EUR 3.5 million.

A 68.6% decrease on sales is recorded in this line of activity with regards to the same period of the previous year due to the commissioning of stage IX of the residential development Parques de la Huaca in Peru, in its final stage.

EBITDA margin on sales for 1S-2017 stands at 31.5%, experimenting a slight reduction of 5.8 percentage points with regards to the same period of the previous year, due to the reduction of activity in Peru.

The investment at the end of year 2016 by the Group in a plot of land, as well as works related to the development of the project and the achievement of licences and permits, will allow Grupo SANJOSE take over the construction activity and recover the turnover levels of previous years.

Thousands of euros

| REAL ESTATE AND PROPERTY DEVELOPMENT | Grupo SANJOSE Jun. 17 | Jun. 16 | Var.(%) |
|---|---|---|---|
| Revenue | 3,472 | 11,072 | -68.6% |
| Earnings before interest, taxes, D&A (EBITDA) | 1,094 | 4,128 | -73.5% |
| EBITDA margin | 31.5% | 37.3% | |
| Earnings before interest and taxes (EBIT) | 1,150 | 4,410 | -73.9% |
| EBIT margin | 33.1% | 39.8% | |
| Earnings before tax of continued operations | 2,370 | 5,665 | -58.2% |

At the end of the first half of 2017, Grupo SANJOSE has entrusted an independent expert a new valuation of its real estate assets.

The Gross Value of Assets (GAV) derived from the aforementioned valuation analysis shows a value of EUR 263.9 million for the real estate assets of Grupo SANJOSE, being the detail as follows:

Thousands of euros

| GAV activos de GESJ (*) | Jun. 17 | | Jun. 16 | | Var.(%) |
|---|---|---|---|---|---|
| Lands | 143,781 | 54.5% | 142,898 | 53.6% | 0.6% |
| Buildings under construction | 0 | 0.0% | 2,681 | 1.0% | -100.0% |
| Buildings | 28,337 | 10.7% | 27,455 | 10.3% | 3.2% |
| Real state investments | 72,709 | 27.6% | 74,655 | 28.0% | -2.6% |
| Property, plant and equipment | 19,044 | 7.2% | 18,700 | 7.0% | 1.8% |
| **TOTAL** | **263,871** | | **266,389** | | **-0.9%** |

In general, the valuation of the Group's real estate assets remains relatively stable. The effect of the depreciation of the Argentine peso against the Euro is mainly due to the reduction in "investment property.

**Energy**

Net revenue for 1S-2017 stands at EUR 5.9 million.

BITDA stands at EUR 1.9 million, recording a 36.1% increase with regards to 1S-2016.

The EBITDA percentage over total sales for this line of activity for 1S-2017 stands at 32%, improving that for the previous year, what represents stability and recurrence.

Profit before taxes for 1S-2017 increases up to EUR 0.6 million.

Thousands of euros

| ENERGY | Grupo SANJOSE Jun. 17 | Jun. 16 | Var.(%) |
|---|---|---|---|
| Revenue | 5,939 | 5,276 | 12.6% |
| Earnings before interest, taxes, D&A (EBITDA) | 1,901 | 1,397 | 36.1% |
| EBITDA margin | 32.0% | 26.5% | |
| Earnings before interest and taxes (EBIT) | 941 | 730 | 28.9% |
| EBIT margin | 15.8% | 13.8% | |
| Earnings before tax of continued operations | 611 | 135 | 353.7% |

Grupo SANJOSE has for this line of activity at 1S-2017 a contracted backlog amounting to EUR 501 million, which are materialised as higher activity of the Group in an average period of approximately 25 years.

**Concessions & Services**

Net turnover for 1S-2017 stands at EUR 23.6 million, recording a 24% increase with regards to that of the same period in the previous year.

Thousands of euros

| CONCESSIONS AND SERVICES | Grupo SANJOSE Jun. 17 | Jun. 16 | Var.(%) |
|---|---|---|---|
| Revenue | 23,591 | 19,019 | 24.0% |
| Earnings before interest, taxes, D&A (EBITDA) | 851 | 937 | -9.2% |
| EBITDA margin | 3.6% | 4.9% | |
| Earnings before interest and taxes (EBIT) | 757 | 510 | 48.3% |
| EBIT margin | 3.2% | 2.7% | |
| Earnings before tax of continued operations | 1,045 | 6,070 | -82.8% |

At 1S-2017, contracted backlog of the Group for this line of activity amounts to EUR 236 million.

### 2.4. Information on events relating to the environment and to human capital

In view of the business activities carried on by the Group companies, they do not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to their equity, financial position and results.

The Group's human resources policy consists basically of maintaining and hiring committed and knowledgeable teams with a high degree of specialisation, capable of generating new business opportunities and offering the best customer service.

In addition, specialised training in each business has been strengthened in order to improve the Group's processes and safety levels.

## 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 Company calculates its cash requirements through a 12-month cash budget.

c) Treasury is administered centrally in order to optimise resources through a "cash pooling" system. In the event of cash surplus, short-term investments are held in safe highly liquid deposits.

During the first half of 2017, net cash position is as follows:

Thousands of euros

| NET CASH POSITION | Jun. 17 Amount | Jun. 17 % | Dic. 16 Amount | Dic. 16 % | Var. |
|---|---|---|---|---|---|
| Other short term finantial investments | 100,126 | 33.1% | 101,884 | 28.8% | -1.7% |
| Cash and cash equivalents | 202,052 | 66.9% | 251,839 | 71.2% | -19.8% |
| **Total cash** | **302,178** | **100%** | **353,723** | **100%** | **-14.6%** |
| Long term finantial liabilities (*) | 322,964 | 82.4% | 383,617 | 85.1% | -15.8% |
| Long term derivative finantial contracts | 735 | 0.2% | 906 | 0.2% | -18.9% |
| Short term finantial liabilities | 68,291 | 17.4% | 66,344 | 14.7% | 2.9% |
| **Total debt** | **391,990** | **100%** | **450,867** | **100%** | **-13.1%** |
| **TOTAL NCP** | **89,811** | | **97,143** | | **-7.5%** |

(*) Regardless of the actual date of repayment, accounting financial debt that is affecting the financing of goods or assets classified in the consolidated balance sheet also as "current" (real estate developments) is classified as "current".

Net cash position at 1S-2017 amounts to EUR 89.8 million compared to EUR 97.1 million at 31 December 2016, when net cash position was reduced in EUR 70.0 million. In 1S-2017, reduction represents 7.5%.

Liabilities are reduced by 13.1%.

Net cash position at 30 June 2017 includes the funding of other non-recourse projects of Grupo SANJOSE for EUR 137.6 million.

**Cash Flow statement**

Thousands of Euros

| | Grupo SANJOSE | |
|---|---|---|
| **CASH FLOW** | **Jun. 17** | **Jun. 16** |
| **Cash flow from operating activities** | **22,393** | **21,541** |
| Working capital | -42,817 | 12,400 |
| Others adjustments | -5,345 | -6,302 |
| Divestments / (Investments) | -3,910 | -13,621 |
| Others adjustments | 41,702 | 39,214 |
| **Free cash flow** | **12,022** | **53,233** |
| Capital flow & Minorities | 0 | -753 |
| Increase / (Decrease) in borrowings | -52,187 | -35,180 |
| Net interest | -3,223 | -7,093 |
| Others adjustments | -6,399 | -3,108 |
| **Financing cash flow** | **-61,809** | **-46,134** |
| **Total cash flow** | **-49,787** | **7,099** |

In the 1S-2017 there was a cash consumption of EUR 49.7 million, mainly due to the decrease in financial indebtedness which, in turn, is mainly due to:

a) annual repayment, on 30 June of each year, of the issue of bonds that finances the concessions of the hospitals in Chile, amounting to EUR 37.8 million.

b) ordinary repayment of the syndicated loan in Spain, amounting to EUR 11.6 million. Further, during 1S-2017, the Group carried out an early repayment of EUR 3.1 million.

Likewise, during the 1S-2017 there was a cash consumption derived from operations amounting to EUR 25.8 million, mainly due to the consumption of advances received from customers (recorded under suppliers), related to the performance of regular construction activity.

**Capital Resources**

During the first half of year 2017, no material change in the Group's structure, including equity and debt, or the relative cost of capital resources has taken place. The short and medium- term forecast, as the Group records profits to strengthen its equity position, as well as to face debt reduction commitments, is to improve the ratio of own resources on external financing.

**Future contractual obligations**

The main obligations which the Group is exposed to are those deriving from financing agreements (see Note 14 of the accompanying notes), 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

The Group operates in sectors, countries and socio-economic and legal environments that involve the assumption of different levels of risk caused by these conditions. The Company manages these risks in order to avoid involving a loss of profitability for its shareholders or cause trouble to customers. In order to exercise this control, the company has tools which allow the identification of risks in advance in order to prevent or minimize the same.

**Operational risks**

Main risks arising from the activities of the Group are assuming operations (whether construction, concessions or maintenance) which shall not involve the sufficient return for investments, international diversity where the Company operates or cause a decrease in value of real estate assets.

To avoid accepting unprofitable projects, an individual study of each project is carried out ensuring profitability of the same.

Additionally, the Group holds an International Legal Department, which analyses the potential impact of different regulatory frameworks in the activity of the company.

To adjust the price of its real estate assets to market value, the company commissions to independent experts the assessment of property of the Group, ensuring that value reflected thereof is suitable to market prices.

**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 to which the Group is exposed as a result of the bank borrowings described in the notes to the consolidated financial statements. In order to minimise exposure to this risk. The Group's financial management 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 in detail in section 3 of this report.

## 5. <u>Events occurred after the reporting period</u>

There are not significant events after 30 June 2017 that could have any impact on the accompanying directors' report.

## 6. <u>Future outlook</u>

The changing trend in the business cycle of Spain during the last years, together with growth forecasts for the years 2017 and 2018 and the GDP improvement in 2016, suggest that domestic economy will continue the improvement trend of the last year within a framework of global content growth.

The Group 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, Timor, etc.) to increase its presence.
- Taking advantage of new opportunities for expansion.

In this sense, in 2017, the Group is working on new projects to accompany those already awarded in 2016, which are already being developed. In 2016, the Group was awarded Stage I of the Mamsha Al Saadiyat residential complex, in a 50:50 joint venture with Pivot Engineering & General Contracting, for EUR 300 million (AED 1,250 million - United Arab Emirates dirham), as well as the earthworks and soil stabilisation works of the Navi Mumbai Airport, in a 50:50 joint venture with GVK Projects & Technical Services Ltd, with a budget of approximately EUR 105 million. Further, it was also awarded the construction of a new resort in Cape Verde, on Boavista Island. The 5* White Sands Hotel & Spa with a total built surface amounting to 70,606 sqm on a plot of 130,500 sqm.

Upon the commissioning and implementation of the Hospitals of Chile already built by the Group in previous years, the operation of non-sanitary services continues for 15 years, which will provide recurring income during this period. Also, after the good experience in the real estate development developed in Peru (of the projects carried out in Lima, the Condominio Parque de la Huaca and the Condominio del Aire), Grupo SANJOSE bought in 2016, a plot of approximately 20,000 sqm in the district of Bellavista, in the province of Callao, Lima (Peru), for the construction of 980 new housing units. The execution period is estimated to be not less than 6 years.

During 2016, the Group expanded its portfolio of services in the domestic market through the awarding by the Ministry of Development, to the joint venture formed by SANJOSE Constructora and Eifagge Infraestructuras, the conservation and operation works of the sector CC-3 of Caceres, Extremadura. The contract involves the integral conservation and maintenance of 254 kilometres in length of state-owned roads for 4 years.

Likewise, the awarding of the construction of the new building of the NH hotel in Malaga stands out. The new building will involve the construction of a ground floor building and 4 top floors with a capacity of 115 rooms.

An increase in public tenders is not expected in the short term at domestic level, however, the international market, especially in emerging countries, presents business opportunities for the Group, which in its expansion policy, seeks to exploit these opportunities. It also will continue to work to further consolidate its national presence, also relying on the provision of better behavior in the private sector. All this, supported by macroeconomic prospects for improving the economy, both nationally and internationally, are positive arguments for the future of construction, main line of activity of the Group. It is also expected to increase its international weight in turnover.

Considering the portfolio of EUR 1,723 million, its organic stability is ensured, foreseeing to maintain the average size of projects, trying to seize new opportunities, both in Spain and in foreign countries, especially in those where it is present and has expertise.

The Group is not estimated, based on information available to date, to face risk and / or uncertainty substantially different from those already taken place in year 2016.

## 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:

| **Company** | **Type of certificate** | **Certificate #** |
|---|---|---|
| CONSTRUCTORA SAN JOSE S.A. | R&D&i Management | IDI-0056/2010 |
| SANJOSE ENERGIA Y MEDIO AMBIENTE, S.A. | R&D&i Management | IDI-0056/2010 |

The R&D system of Grupo SANJOSE addresses the application of new construction technologies, the optimisation of procedures and services, the usage of innovation as main searching tool for the implementation of new improvement opportunities, the promotion of new technologies and the cared protection of the environment. The company has implemented a working method based upon guidelines set out by UNE 166002. This method allows the optimisation of activities and R&D&i Project, as well as defining documentation and management.

Among the main strategic technology areas for the development of R&D&i projects, highlight, among others, technology applicable to building and civil works, renewable energy and energy efficiency, new materials and construction processes, development of tools for the improvement in the provision of maintenance and services. Within the portfolio of projects of the last year, of special importance is the project for detection and dissipation of fog by hygroscopic agents, financed by the Industrial Technology Development Centre under file number IDI-20150870 and within the framework of the INNODEMANDA programme.

Cooperation between companies has become a determining factor for the Group. The scope of collaboration extends to regional, national, and international areas, as well as different frames of collaboration, either at company, college, or intermediate organisation or association level.

In the field of management, we have consulting services specialized in innovation. Their objective is to boost the improve of the R&R&I management of the organisation through the optimization of its innovation process in order to improve efficiency; as well as in the provision of advice and support services for R&D&I management, seeking partnerships, grants, tax benefits and deductions.

## 8. Treasury share transactions

The Company hand not carried out transactions involving treasury shares at 30 June 2017 nor 31 December 2016.

## 9. Other relevant information

### Stock exchange information

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

:

| | **2017 up to 30/06** | **2016** |
|---|---|---|
| Capitalisation * *(Thousands of Euros)* | 230,842 | 210,034 |
| # of shares *(x 1.000)* | 65,026 | 65,026 |
| End of period price *(Euros)* | 3.55 | 3.23 |
| Last price of the period *(Euros)* | 3.55 | 3.23 |
| Highest price of the period *(Euros)* | 4.32 | 4.95 |
| Lowest price of the period *(Euros)* | 2.8 | 0.7 |
| Volume *(Thousands of shares)* | 77,045 | 119,561 |
| Cash *(Thousands of Euros)* | 246,097 | 306,897 |

* Capitalization is calculated with listed shares and does not include shares from capital increases which have not been listed yet

*Source.: Bolsas y Mercado Españoles (BMEX)*

**Dividend Policy**

As a result of the terms and conditions of the contractual financing framework the syndicated loan in Spain, there are restrictions on the distribution of dividends.

**Proposed distribution of profit**

The Directors of the Parent will propose the General Meeting of Shareholders the record of the loss for year 2016 amounting to EUR 41,659 as higher value of "Negative results from previous years", having been duly passed by the General Meeting of Shareholders on 22 June 2017.

## DIRECTORS' SIGNATURES

The Consolidated Condensed Financial Statements for the six-month term ending on 30 June 2017 of “Grupo Empresarial San José, S.A. and Subsidiaries”, comprising the consolidated condensed balance sheet at 30 June 2017, the income statement, the statement of changes in equity and the consolidated condensed cash flow statement, as well as Notes to the same, for the six-month term ending on 30 June 2017, and the accompanying Consolidated Directors' Report, issued on 61sheets of regular paper on one side only, have been prepared by the Board of Directors of “Grupo Empresarial San José, S.A.” on 27 July 2017.

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 condensed consolidated financial statements prepared in accordance with applicable accounting standards provide a true and fair view of the equity, the financial position and the outcome of the issuer and its consolidated companies taken as a whole and that the Directors' Report includes an accurate analysis of business development and its outcome, the position of the issuer and the companies included within its consolidation scope taken as a whole, together with a description of the main risks and uncertainties which they face.

In witness whereof, the Board of Directors sign herein.

| | |
|---|---|
| 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 |

**Translator’s note: Due to language features, the number of pages of the preceding text does not correspond to the original Spanish version.**

*Translation into English of the condensed consolidated half-year Financial Statements for the period ending 30 June 2017 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails. In-house translation, under its sole responsibility and not deemed official.*

| | |
|---|---|
| Mr. José Manuel Otero Novas | Mr. Roberto Alvarez Álvarez |
| Mr. Javier Rey Laredo | Mr. Nasser Homaid Salem Ali Alderei |
| Mr. Guillermo E.Nielsen | |

The Members Mr. Sunil Kanoira, Mr. Nasser Homaid Salem Ali Alderei and Mr. Guillermo E. Nielsen, have submitted absence for leave without delegating their representation to others. They have not expressed any type of discrepancy regarding the formulation of this financial information. The Member Mr. Enrique Martín Rey has delegated his representation on Mr. Jacinto Rey González.

The Members Mr. Jacinto Rey González, Mr. Jacinto Rey Laredo and Mr. Roberto Álvarez Álvarez, have attended the meeting of the Board online through videoconference.

The Secretary of the Board of Directors

***Translator's note: Due to language features, the number of pages of the preceding text does not correspond to the original Spanish version.***