FINANCIAL REPORT

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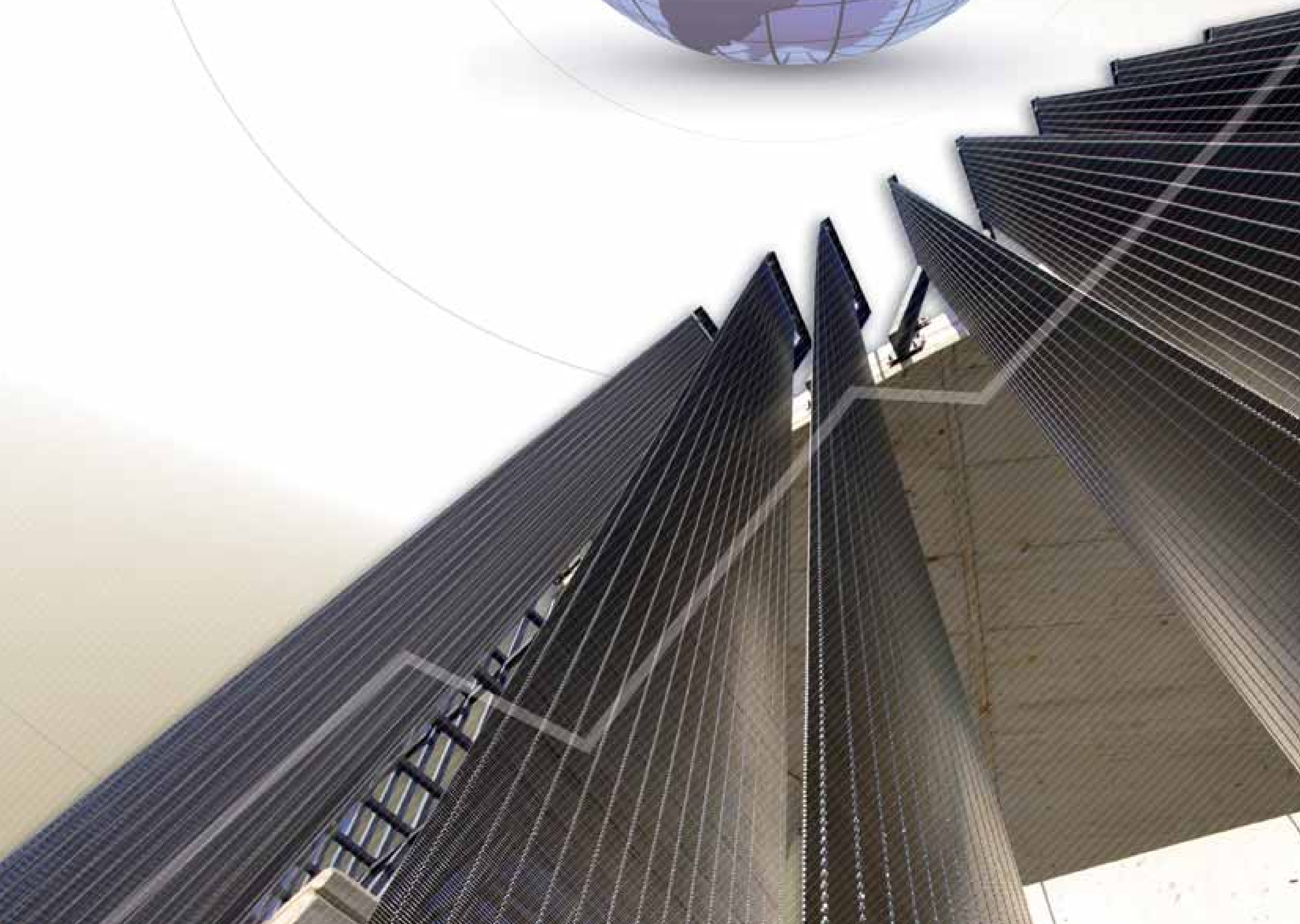

Udra, S.A. and Subsidiaries

Consolidated Financial Statements for 2008, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs)

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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 3 and 27). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Constructora San José, S.A. and Subsidiaries:

1. We have audited the consolidated financial statements of Constructora San José, S.A. and Subsidiaries comprising the consolidated balance sheet at 31 December 2008 and the related consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made. Our work did not include an audit of the financial statements for 2008 of certain branches, subsidiaries and associates whose assets and net profit or loss for the year represented 1% and 1%, respectively, of the related consolidated totals. The financial statements of these entities were audited by other auditors and our opinion as expressed in this report on the consolidated financial statements of Constructora San José, S.A. and Subsidiaries is based, with respect to the ownership interests in these entities, solely on the reports of the other auditors. These entities and their respective auditors are listed in Note 2 to the accompanying consolidated financial statements.

2. The accompanying consolidated financial statements for 2008 are the first that the Parent's directors have prepared in accordance with Law 16/2007, of 4 July, and the Spanish National Chart of Accounts approved by Royal Decree 1514/2007. In this regard, in accordance with Transitional Provision Four.1 of the aforementioned Chart of Accounts, these consolidated financial statements have been considered to be initial financial statements and, therefore, they do not include comparative figures. Note 3-c to the consolidated financial statements "Comparative information and matters arising from the transition to the new accounting rules" includes the consolidated balance sheet and consolidated income statement contained in the approved consolidated financial statements for 2007, which were prepared in accordance with the accounting and corporate regulations in force in that year, together with an explanation of the main differences between the accounting policies applied in 2007 and those applied in 2008, as well as a quantification of the impact of this change in accounting policies on consolidated equity at 1 January 2008, the date of transition. Our opinion refers only to the 2008 consolidated financial statements. On 11 March 2008, we issued our auditors' report on the 2007 consolidated financial statements, prepared in accordance with generally accepted accounting principles and standards under the Spanish regulations in force in that year, in which we expressed an unqualified opinion.

3. As indicated in Note 1 to the accompanying consolidated financial statements, a merger was carried out between the Parent and certain of its subsidiaries which was executed in a public deed and registered at the Mercantile Registry on 17 February 2009.

4. As indicated in Note 25, on 21 April 2009 the UDRA Group to which the Parent belongs entered into an agreement with banks in order to refinance its borrowings. As indicated in Note 18.1, the directors of the Parent consider that the aforementioned refinancing agreement reasonably assures the availability of the financial resources required to meet the Business Plan prepared by the Group for the coming years, even if the conditions in the real estate and financial markets continue to worsen in 2009.

5. In our opinion, based on our audit and on the reports of the other auditors mentioned in paragraph 1 above, the accompanying consolidated financial statements for 2008 present fairly, in all material respects, the consolidated equity and consolidated financial position of Constructora San José, S.A. and Subsidiaries at 31 December 2008 and the consolidated results of their operations, the changes in the consolidated equity and their consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the generally accepted accounting principles and standards under the Spanish regulations applicable to the Group.

6. The accompanying consolidated directors' report for 2008 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2008. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Constructora San José, S.A. and Subsidiaries.

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

Miguel Laserna Niño

30 April 2009

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 27)
In the event of a discrepancy, the Spanish-language version prevails..

UDRA, S.A. AND SUBSIDIARIES

Consolidated balance sheets at 31 December 2008 and 2007

(Thousands of Euros)

ASSETS	31-12-08	31-12-07
NON-CURRENT ASSETS:		
Intangible assets (Note 10)	1,739	806
Property, plant and equipment (Note 7)	108,088	174,758
Investment property (Nota 8)	465,240	405,341
Investments in associates and joint ventures	59,898	88,521
Equity investments in associates (Note 11)	45,023	72,048
Loans to related companies	14,875	16,473
Other financial assets (Note 13.4)	12,997	8,471
Derivative financial instruments	85	9,458
Trade and other receivables	-	11,881
Deferred tax assets (Note 20)	50,747	25,599
Goodwill on consolidation (Note 9)	15,436	60,550
TOTAL NON-CURRENT ASSETS	714,230	785,385
CURRENT ASSETS:		
Inventories (Note 12)	1,451,887	1,292,661
Trade and other receivables	835,774	823,472
Trade receivables for sales and services (Note 13.1)	731,897	721,756
Sundry accounts receivable	17,723	22,632
Tax receivables (Note 20.6)	84,132	77,440
Other current assets	2,022	1,644
Derivative financial instruments	873	-
Other current financial assets (Note 13.3)	5,538	122,784
Cash and cash equivalents (Note 13.2)	143,791	106,208
TOTAL CURRENT ASSETS	2,437,863	2,345,125
TOTAL ASSETS	3,152,093	3,130,510

The accompanying Notes 1 to 27 an integral part of the consolidated balance sheet at 31 December 2008.

EQUITY AND LIABILITIES	31-12-08	31-12-07
EQUITY:		
Share capital	1,312	1,312
Share premium	7,838	7,838
Reserves (Note 14.5)	216,109	164,204
Translation differences	(9,270)	(8,257)
Valuation adjustments (Note 14.6)	(7,684)	2,866
Profit (Loss) for the year attributable to the Parent	(46,359)	34,457
Equity attributable to shareholders of the Parent	161,946	202,420
Minority interests (Note 14.8)	273,286	370,824
TOTAL EQUITY	435,232	573,244
NON-CURRENT LIABILITIES		
Long-term provisions (Note 15)	16,916	13,082
Non-current bank borrowings and other financial liabilities (Note 16)	841,072	978,755
Bank borrowings	812,716	973,171
Obligations under finance leases	6,666	5,584
Other financial liabilities	21,690	-
Derivative financial instruments (Note 17)	23,455	-
Deferred tax liabilities (Note 20)	106,899	149,369
Other non-current liabilities	-	13,072
TOTAL NON-CURRENT LIABILITIES	988,342	1,154,278
CURRENT LIABILITIES		
Short-term provisions	37,538	36,357
Current bank borrowings and other financial liabilities (Note 16)	871,373	440,041
Bank borrowings	860,058	439,181
Obligations under finance leases	1,155	860
Other financial liabilities	10,160	-
Derivative financial instruments (Note 17)	39	-
Payable to related companies	17,357	23,310
Trade and other payables (Note 18)	802,212	903,280
Trade payables	710,059	782,436
Tax payables (Note 20)	67,493	88,014
Other current liabilities	24,660	32,830
TOTAL CURRENT LIABILITIES	1,728,519	1,402,988
TOTAL EQUITY AND LIABILITIES	3,152,093	3,130,510

The accompanying Notes 1 to 27 an integral part of the consolidated balance sheet at 31 December 2008.

UDRA, S.A. AND SUBSIDIARIES
Consolidated income statements for 2008 and 2007
(Thousands of Euros)

	Ejercicio 2008	Ejercicio 2007
CONTINUING OPERATIONS:		
Revenue (Note 22.1)	1,349,705	1,559,945
Sales	1,302,650	1,516,304
Services	47,055	43,641
Other operating income	23,267	8,130
Gains on disposal of investment property (Note 8)	8,717	2,389
Change in inventories of finished goods and work in progress	53,038	(51,511)
Procurements (Note 22.2)	(1,051,206)	(994,186)
Cost of raw materials and other consumables used	(348,256)	(296,588)
Work performed by other companies	(649,249)	(697,598)
Impairment of goods held for resale, raw materials and other supplies (Note 12 and 22.10)	(53,701)	-
Staff costs (Note 22.3)	(179,617)	(196,577)
Wages, salaries and similar expenses	(139,304)	(154,100)
Employee benefit costs	(40,313)	(42,477)
Other operating expenses	(191,852)	(175,772)
Losses on, impairment of and changes in allowances for trade receivables (Note 22.10)	(16,371)	(6,419)
Other current operating expenses (Note 22.2)	(175,481)	(169,353)
Depreciation and amortisation charge (Notes 7, 8 and 10)	(15,070)	(14,297)
Excessive provisions	-	4,372
Impairment and gains or losses on disposals of non-current assets (Note 22.9)	(6,157)	9,474
PROFIT (LOSS) FROM OPERATIONS	(9,175)	149,578
Finance income (Note 22.7)	17,638	15,968
Finance costs (Note 22.8)	(91,179)	(70,783)
Changes in fair value of financial instruments (Note 22.8)	(7,083)	5,924
Exchange differences	(3,404)	21
FINANCIAL LOSS	(84,028)	(48,870)
Other gains or losses	(2)	-
Result of companies accounted for using the equity method (Note 11)	(6,387)	3,259
PROFIT (LOSS) BEFORE TAX	(99,592)	103,967
Income tax (Note 20.2)	30,962	(46,661)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(68,630)	57,306
PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTERESTS (Note 14.8)	(23,269)	22,849
PROFIT (LOSS) FOR THE YEAR	(46,359)	34,457
Earnings per share		
-Basic	(212,07)	157,63
-Diluted	(212,07)	157,63

The accompanying Notes 1 to 27 an integral part of the consolidated income statement for 2008.

UDRA, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS FOR 2008 AND 2007
(Thousands of Euros)

	Ejercicio 2008	Ejercicio 2007
Cash flows from operating activities:		
(+) Profit/(Loss) before tax	(99,592)	103,967
(+) Depreciation and amortisation charge	15,070	14,297
(+/-) Changes in operating allowances	70,072	2,047
(-) Finance income	(17,612)	(15,968)
(+) Finance costs	98,153	70,783
(+/-) Exchange differences	3,404	(21)
(+/-) Result of changes in the value of financial instruments	7,083	(5,924)
(+/-) Result of companies accounted for using the equity method	(482)	(3,259)
(+/-) Other gains or losses	13,061	(9,474)
Total cash flows from operating activities	89,954	156,448
Other adjustments:		
(-) Income tax paid in the year	9,595	(17,550)
(+/-) (Increase) / Decrease in working capital	(168,921)	(788,663)
(+/-) Other collections/(payments) due to operating activities	(4,393)	17,972
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	(73,765)	(631,793)
Investments:		
(-) Property, plant and equipment and investment property	(4,054)	(488,863)
(-) Intangible assets	(3,623)	(257)
(-) Equity investments and other financial assets	(959)	(26,881)
Total disposals	(8,636)	(516,001)
Dividends received	130	1,661
Disposals:		
(+) Property, plant and equipment and investment property	(5,131)	10,542
(+) Intangible assets	46,628	-
(+) Equity investments and other financial assets	(7,696)	34,843
Total disposals	33,800	45,385
2. TOTAL NET CASH FLOWS FROM INVESTING ACTIVITIES	25,294	(468,955)
Other collections / (payments) due to treasury share transactions	(86,698)	-
Dividends paid	(5,466)	(5,466)
Increase / (decrease) in borrowings (*)	282,479	1,195,872
Net interest:	(65,122)	(54,815)
Received	16,668	15,968
Paid	(81,790)	(70,783)
Other collections / (payments) due to financing activities	(39,139)	-
3. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES	86,054	1,135,591
TOTAL CASH FLOWS FOR THE YEAR	37,583	34,843
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	106,208	71,365
Changes in the year	37,583	34,843
CASH AND CASH EQUIVALENTS AT END OF YEAR	143,791	106,208

The accompanying Notes 1 to 27 an integral part of the consolidated cash flow statement for 2008.
(*) The main decreases in bank borrowings in 2008 relate mainly to the repayment of the principal of the syndicated loans detailed in Note 16.3. to the accompanying consolidated financial statements.

UDRA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR 2008 AND 2007 (Thousands of Euros)

	Share Capital	Share Premium	Legal Reserve	Other Reserves of the Parent	Result of Consolidated Companies		Translation Differences	Valuation Adjustments	Profit or Loss	Equity Attributa-ble to the Parent	Minority Interests	Total Equityl
					Full/Prop. Cons.	Equity Method						
Balance at 31 December 2006	1,312	7,838	263	26,487	114,354	5,546	930	-	40,976	197,706	83,337	281,043
Distribution of 2006 profit:												
To reserves	-	-	-	4,102	23,791	7,617	-	-	(35,510)	-	-	-
Dividends	-	-	-	-	-	-	-	-	(5,466)	(5,466)	-	(5,466)
Transfer of reserves	-	-	-	2,272	(4,157)	(65)	-	2,866	-	916	-	916
Translation differences	-	-	-	-	-	-	(9,187)	-	-	(9,187)	-	(9,187)
Changes in the scope of consolidation	-	-	-	-	(15,756)	-	-	-	-	(15,756)	264,639	248,883
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	(250)	-	-	-	-	(250)	-	(250)
Profit for the year	-	-	-	-	-	-	-	-	34,457	34,457	22,848	57,305
Balance at 31 December 2007	1,312	7,838	263	32,861	117,982	13,098	(8,257)	2,866	34,457	202,420	370,824	573,244
Distribution of 2007 profit:												
To reserves	-	-	-	959	25,385	2,647	-	-	(28,991)	-	-	-
Dividends	-	-	-	-	-	-	-	-	(5,466)	(5,466)	(3,383)	(8,849)
Translation differences	-	-	-	-	-	-	(1,013)	-	-	(1,013)	(946)	(1,959)
Changes in the scope of consolidation	-	-	-	-	17,243		-	-	-	17,243	(56,336)	(39,093)
Equity adjustments	-	-	-	-	-	-	-	(10,550)	-	(10,550)	(8,252)	(18,802)
Other	-	-	-	(2,271)	8,461	(519)	-	-	-	5,671	(5,351)	320
Loss for the year	-	-	-	-	-	-	-	-	(46,359)	(46,359)	(23,270)	(69,629)
Balance at 31 December 2008	1,312	7,838	263	31,549	169,071	15,226	(9,270)	(7,684)	(46,359)	161,946	273,286	435,232

The accompanying Notes 1 to 27 an integral part of the consolidated statement of changes in equity for 2008.

Udra, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for 2008

1. Group activities

UDRA, S.A. ("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.

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. Its employer identification number is A-36.046.993.

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

Activities

The activities carried on by the companies in the Udra, S.A. Group 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 audiovisual components, products and systems.

9. Full maintenance of hospital facilities, maintenance of operating theatres and electromedical 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; electromedicine and gas facilities and maintenance.

12. Installation work 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.

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 relating to environmental issues are included in these notes to the consolidated financial statements.

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

Also, the Parent may subscribe to, purchase or acquire by any other means shares and/or other equity interests in other public and private limited companies, even if their company object differs from that of Udra, 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, UDRA, S.A. is the Parent of the San José Group. Its main object is the management and control of all the business activities performed by the companies in which Udra, S.A. has a material and lasting ownership interest.

The Udra Group's activities are led by Grupo Empresarial San José, S.A., which in turn includes Constructora San José, S.A. (construction), Parquesol Inmobiliaria y Proyectos, S.A. and San José Desarrollos Inmobiliarios, S.A. (formerly Inmobiliaria Udra, S.A.) (real estate), Sanjose Tecnologías, S.A.U. (energy and industrial) and Desarrollos Urbanísticos Udra, S.A (urban development).

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. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

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

Merger of Sanjose Tecnologías, S.A.U. and the investees Artel Ingenieros S.L.U., Sefri Ingenieros S.A.U., Instal 8 S.A.U. and SM Klima S.A.U.

The shareholders at the Annual General Meetings of Sanjose Tecnologías, S.A.U., Artel Ingenieros S.L.U., Sefri Ingenieros S.A.U., Instal 8 S.A.U. and SM Klima S.A.U., held on 30 June 2008, approved the plan for the merger of these companies through their absorption by Sanjose Tecnologías, S.A.U. The merger balance sheets approved are those at 31 December 2007, which were included in the audited annual financial statements of that year.

The aforementioned merger took place through the absorption of Artel Ingenieros S.L.U., Sefri Ingenieros S.A.U., Instal 8 S.A.U. and SM Klima S.A.U. by Sanjose Tecnologías, S.A.U., and the absorbing company acquired all of the assets and liabilities of the absorbed companies through the transfer en bloc of all the assets, rights and obligations of all types of the absorbed companies to the absorbing company, which acquired them by universal succession and which was subrogated to all the rights and obligations of the absorbed companies, which will be dissolved without liquidation once the merger has been definitively registered at the Mercantile Registry.

Pursuant to Article 250 of the Consolidated Spanish Companies Law, since Sanjose Tecnologías, S.A.U. owns all the shares of Artel Ingenieros S.L.U., Sefri Ingenieros S.A.U., Instal 8 S.A.U. and SM Klima S.A.U., it is not necessary to increase the share capital of the absorbing company or fix a share exchange ratio. Similarly, neither the directors nor independent valuers are required to prepare reports in relation to the merger plan.

The assets and liabilities transferred in the merger were included in the accounting records of Sanjose Tecnologías, S.A. at the same amounts as those at which they had been carried in the accounting records of the absorbed companies.

The transactions of the absorbed companies will be considered to have been performed by Sanjose Tecnologías, S.A. for accounting purposes from 1 January 2008.

The aforementioned merger qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004, of 4 March, approving the Consolidated Spanish Corporation Tax Law.

No tax benefits were enjoyed by Artel Ingenieros S.L.U., Sefri Ingenieros S.A.U., Instal 8 S.A.U. and SM Klima S.A.U., in respect of which Sanjose Tecnologías, S.A. must assume the fulfilment of certain requirements, pursuant to Articles 90.1 and 90.2 of the aforementioned Legislative Royal Decree 4/2004.

Merger of Constructora San José, S.A. and the investees: Alcava Mediterránea, S.AU., Constructora Avalos, S.A.U., Balltagi Mediterrani, S.A.U. and Construcción, Rehabilitación y Conservación., S.L.U.

The shareholders at the Annual General Meeting of Constructora San José, S.A. held on 28 June 2008 and those at the Annual General Meetings of Alcava Mediterránea, S.AU., Constructora Avalos, S.A.U., Balltagi Mediterrani, S.A.U. and Construcción, Rehabilitación y Conservación., S.L.U. held on 30 June 2008 approved the plan for the merger of these companies through the absorption of the latter companies by Constructora San José, S.A. The merger balance sheets approved are those at 31 December 2007, which were included in the annual financial statements of that year.

The aforementioned merger took place through the absorption of Alcava Mediterránea, S.AU., Constructora Avalos, S.A.U., Balltagi Mediterrani, S.A.U. and Construcción, Rehabilitación y Conservación., S.L.U. by Constructora San José, S.A., and the absorbing company acquired all of the assets and liabilities of the absorbed companies through the transfer en bloc of all the assets, rights and obligations of all types of the absorbed companies to the absorbing company, which acquired them by universal succession and was subrogated to all the rights and obligations of the absorbed companies, which were dissolved without liquidation once the merger plan had been executed in a public deed and registered at the Mercantile Registry on 17 February 2009.

Pursuant to Article 250 of the Consolidated Spanish Companies Law, since Constructora San José, S.A. owns all the shares of Alcava Mediterránea, S.A.U., Constructora Avalos, S.A.U., Balltagi Mediterrani, S.A.U. and Construcción, Rehabilitación y Conservación., S.L.U., it is not necessary to increase the share capital of the absorbing company or fix a share exchange ratio. Similarly, neither the directors nor independent valuers are required to prepare reports in relation to the merger plan.

The assets and liabilities transferred in the merger were included in the accounting records of Constructora San José, S.A. at the same amounts as those at which they had been carried in the accounting records of the absorbed companies.

The transactions of the absorbed companies are considered to have been performed by Constructora San Jose, S.A. for accounting purposes from 1 January 2008.

The aforementioned merger by absorption was carried out under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004, of 4 March, approving the Consolidated Spanish Companies Law.

Merger of Parquesol Inmobiliaria y Proyectos, S.A. and its investees Parzara, S.L.U., Guadalmina Inversiones, S.L.U., Fomento Inmobiliario de Gestión, S.A.U., Parquesol Promociones y Desarrollos Inmobiliarios, S.L.U. and Parque Usera, S.L.

On 7 April 2008, the directors of the Group company Parquesol Inmobiliaria y Proyectos, S.A. (absorbing company) and of its subsidiaries Parzara, S.L.U., Guadalmina Inversiones, S.L.U., Fomento Inmobiliario de Gestión, S.A.U., Parquesol Promociones y Desarrollos Inmobiliarios, S.L.U. and Parque Usera, S.L. signed a merger by absorption plan, while was filed at the Madrid and Valladolid Mercantile Registries for subsequent publication in the Mercantile Registry Official Gazette (BORME).

The aforementioned merger plan was approved by the shareholders at the respective Annual General Meetings of the companies involved in the merger on 26 June 2008. However, at 31 December 2008, the corresponding public deeds had not yet been executed or filed at the relevant Mercantile Registries.

The Parent's directors consider that the aforementioned merger will be carried out in 2009, since the renegotiation of the Group's financial debt has now been completed (see Notes 16.4 and 26).

On completion of this merger, Parquesol Inmobiliaria y Proyectos, S.A. will occupy the legal position of the absorbed companies and will be the sole legal person in terms of the ownership, management and disposal of the assets of the absorbed companies.

The transactions of the absorbed companies will be considered to have been performed by Parquesol Inmobiliaria y Proyectos, S.A. (absorbing company) for accounting purposes from 1 January 2008.

Since at the date of the merger all the share capital of the absorbed companies was owned directly or indirectly by the absorbing company, it was not necessary to increase the share capital of the latter or exchange shares or other equity interests. Similarly neither the directors nor independent valuers are required to prepare reports in relation to the merger plan.

The merger qualified for taxation under the special tax regime provided for in Chapter VIII of Title VII of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law, of which the tax authorities will be formally notified.

Merger of Udra, S.A. and Grupo Empresarial San José, S.A., San José Infraestructuras y Servicios, S.A., Udramed, S.L.U., Parquesol Inmobiliaria y Proyectos, S.A. and LHOTSE Desarrollos Inmobiliarios, S.L.

On 7 April 2008, the directors of Udra, S.A. (absorbing company) and of the subsidiaries Grupo Empresarial San José, S.A., San José Infraestructuras y Servicios, S.A., Udramed, S.L.U., Parquesol Inmobiliaria y Proyectos, S.A. and LHOTSE Desarrollos Inmobiliarios, S.L. signed a merger by absorption plan, which was filed at the Pontevedra, Madrid and Valladolid Mercantile Registries for subsequent publication in the Mercantile Registry Official Gazette (BORME).

On 19 and 20 May 2008 the requisite independent valuers' reports were prepared on the content of the merger plan detailed and on the assets and liabilities contributed by the absorbed companies, together with the directors' report explaining and giving reasons for the merger from the legal and economic standpoint, making special reference to the share exchange ratio and the specific valuation difficulties encountered.

The aforementioned merger plan was approved by the shareholders at the respective Annual General Meetings of the companies involved in the merger on 26 and 27 June 2008. However, at 31 December 2008, the corresponding public deed had not yet been executed or filed at the relevant Mercantile Registries.

The transactions of the absorbed companies are considered to have been performed by the Company (absorbing company) for accounting purposes from 1 January 2008.

The Company's directors consider that the aforementioned merger will be carried out in 2009, since the Group's financial debt has now been renegotiated (see Notes 16.4 and 26).

On completion of this merger, Udra, S.A. will occupy the legal position of the absorbed companies and will be the sole legal person in terms of the ownership, management and disposal of the assets of the absorbed companies. The Parent's directors also plan to have UDRA, S.A. admitted to listing on the stock market once the merger has been completed.

This merger qualified for taxation under the special tax regime provided for in Chapter VIII of Title VII of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law, of which the tax authorities will be formally notified.

Capital increase at San José Desarrollos Inmobiliarios, S.A. (formerly Inmobiliaria Udra, S.A.)

The shareholders at the Extraordinary General Meeting of San José Desarrollos Inmobiliarios, S.A. held on 19 September 2008 resolved to increase share capital through a non-monetary contribution, with the total disapplication of the pre-emption rights of the Parent's minority shareholders, as follows:

- Aumento del capital social en un importe de 161.119.680 • Capital increase of EUR 161,119,680 thousand through the issuance of 26,853,280 shares of EUR 6 par value each and a share premium of EUR 8.18736755 per share, representing a total share premium of EUR 219,857,673.
- Pursuant to Article 159 of the Spanish Companies Law, based on the report of the independent valuer, José María Gredilla Bastos, appointed by the Pontevedra Mercantile Registry, the terms and conditions of the proposed capital increase correspond to the fair value of the Company's shares.
- The new shares issued will be subscribed in full by Udra, S.A. The total issue price will be disbursed through the contribution and subsequent transfer to the Company of all the assets and liabilities of this contributing company's real estate business on completion of the merger by absorption of the real estate companies in which it has investments. The monetary contribution will have an overall value of EUR 380,977,353, corresponding to the amount of the proposed capital increase (par value plus share premium).

The completion of the capital increase will be subject to the condition precedent that the public deeds in which the following mergers are formally executed be registered at the corresponding Mercantile Registries: (i) the merger by simultaneous absorption of Parquesol Inmobiliaria y Proyectos, S.A. and five of its investees; and (ii) the merger by simultaneous absorption of Grupo Empresarial San José, S.A., San José Infraestructuras y Servicios, S.A., Udramed, S.L.U., Parquesol Inmobiliaria y Proyectos, S.A. and Lhotse Desarrollos Inmobiliarios, S.L., (absorbed companies) into Udra, S.A. (absorbing company).

As indicated above, at the date of authorisation for issue of these consolidated financial statements, the deeds of the aforementioned mergers had not yet been filed at the corresponding Mercantile Registries and, accordingly, the Company's capital increase had not become effective.

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

2.1 Accounting principles

The consolidated financial statements for 2008 of UDRA, S.A. and Subsidiaries ("UDRA and Subsidiaries" or "the Group") were formally prepared by the Parent's directors at the Board of Directors Meeting held on 31 March 2009, in accordance with International Financial Reporting Standards as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council ("EU-IFRSs"), taking into account all the mandatory accounting principles and rules and measurement bases in EU-IFRSs, and, accordingly, they present fairly the UDRA Group's consolidated equity and financial position at 31 December 2008 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

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

The consolidated financial statements of UDRA, S.A. and Subsidiaries for 2007, prepared in accordance with EU-IFRSs, were approved by the shareholders at the Annual General Meeting of Udra, S.A. held on 27 June 2008. Also, the 2008 consolidated financial statements of the Group and the individual financial statements of the Group companies for 2008 have not yet been approved by the shareholders at the respective Annual General Meetings. However, the Parent's directors consider that the aforementioned consolidated financial statements will be approved without any changes.

IFRIC 11, IFRS 2 - Group and Treasury Share Transactions, and the amendments to IAS 39/IFRS 7-Reclassification of Financial Assets became effective for the first time in 2008. The adoption of these new interpretations and amendments did not have any impact on the Group's consolidated financial statements.

At the date of preparation of these consolidated financial statements the most significant standards and interpretations that had been published by the IASB but which had not yet come into force, either because their date of effectiveness is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union, were as follows:

		Obligatory Application in Years Beginning on or after
Standards and Amendments to Standards:		
IFRS 8	Operating Segments	1 January 2009
Revision of IAS 23	Borrowing Costs	1 January 2009
Revision of IAS 1	Presentation of Financial Statements	1 January 2009
Revision of IFRS 3 (1)	Business Combinations	1 July 2009
Amendments to IAS 27 (1)	Consolidated and Separate Financial Statements	1 July 2009
Amendments to IFRS 2	Vesting Conditions and Cancellations	1 January 2009
Amendments to IAS 32 and IAS 1	Puttable financial Instruments and Obligations Arising on Liquidation	1 January 2009
Amendments to IFRS 1 and IAS 27	Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
Amendments to IAS 39 (1)	Eligible Hedged Items	1 July 2009

Interpretations:		
IFRIC 12 (1)	Service Concession Arrangements	(3)
IFRIC 13	Customer Loyalty Programmes	1 January 2009 (2)
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2009 (2)
IFRIC 15 (1)	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16 (1)	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17 (1)	Distribution of Non-cash Assets to Owners	1 July 2009

(1) Standards and interpretations not yet adopted by the European Union at the date of preparation of these consolidated financial statements.
(2) Date of obligatory application as approved in the Official Journal of the European Union.
(3) This interpretation has yet to be endorsed. As published by the Accounting Regulatory Committee (ARC) of the EU, this interpretation will foreseeably be approved for use in the EU with a new effective date that would defer its obligatory application until 2010 (the initial theoretical date established by the IASB for the entry into force of the interpretation was 1 January 2008).

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

2.2 Responsibility for the information and use of estimates

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

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

1. The useful life of the property, plant and equipment and intangible assets (see Notes 4.3 and 4.4).

2. The measurement of goodwill arising on consolidation (see Note 4.2).

3. The budgetary estimates which are considered for the recognition of results on contracts to which the percentage of completion method is applied (construction and industrial areas) (see Note 4.12).

4. The market value of the property assets was obtained from the appraisals conducted by independent valuers at year-end. These appraisals are made using the discounted cash flow method for rental property, as established by The Royal Institution of Chartered Surveyors (RICS) (see Notes 7, 8 and 12).

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

6. The classification of leases as operating or finance leases (see Note 4.6).

7. The fair value of certain unquoted assets (see Note 13.4).

8. The fair value of certain financial instruments (see Note 4.9).

9. The fair value of the assets and liabilities acquired in business combinations (see Note 2.4.).

Although these estimates were made on the basis of the best information available at 31 December 2008 on the events analysed, events that might take place in the future might make it necessary to significantly change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the consolidated income statements for the years affected.

In 2008 there were no significant changes in the accounting judgments and estimates used by the Group in prior years, except in relation to the measurement of property assets (see Notes 7, 8 and 12), arising from the changes in value and not in the appraisal methodology, which was the same as in previous years.

2.3 Currency

These consolidated financial statements are presented in euros, since this is the functional currency of the main economic environment in which the UDRA Group operates. Foreign operations are recognised in accordance with the policies established in Note 4.14.

2.4 Basis of consolidation

a) Subsidiaries

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

Green Inmuebles, S.L. and Inmoprado Laguna, S.L., in which the Group holds ownership interests of 50%, were fully consolidated in the consolidated financial statements for 2008 and 2007 because the Group exercises, in practice, effective control over them.

The investment in the Group company Otoño, S.L. was accounted for using the equity method because it is scantly material with respect to the fair presentation that the consolidated financial statements should provide.

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

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are recognised at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is credited to profit or loss on the acquisition date.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets and liabilities recognised. Subsequently, any losses applicable to the minority interests in excess of the carrying amount of these minority interests are recognised with a charge to the Parent's investments. The minority's share of:

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

2. The profit or loss for the year is presented under "Profit (Loss) Attributable to Minority Interests" in the consolidated income statement.

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

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

b) Joint ventures

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

A joint venture is a contractual arrangement whereby two or more companies ("venturers") have interests in entities (jointly controlled entities) or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

The financial statements of jointly controlled entities are proportionately consolidated with those of the Company and, therefore, the aggregation of balances and subsequent eliminations are only made in proportion to the Group's ownership interest in the capital of these entities.

Similarly, interests in Spanish UTEs (unincorporated joint ventures), joint property entities and economic interest groupings were included in the accompanying consolidated financial statements in proportion to the Group's interest in the assets, liabilities, income and expenses arising from the transactions performed by these entities, and reciprocal asset and liability balances and income, expenses and profits or losses not realised with third parties were eliminated.

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

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

c) Associates

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

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

Any excess of the cost of acquisition over the part of the fair values of the identifiable net assets of the associate attributable to the Group at the acquisition date is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets of the associate owned by the Group at the acquisition date is recognised in profit or loss during the acquisition period.

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

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

d) Changes in the scope of consolidation

The main changes in the scope of consolidation in 2008 were as follows:

1. In 2008 Grupo Empresarial San José, S.A. acquired an additional 0.97% ownership interest in Parquesol Inmobiliaria y Proyectos, S.A. on the stock market. The average acquisition price of the additional ownership interest amounted to EUR 17.92 per share (total cost of EUR 6,902 thousand).

2. On 7 July 2008, Grupo Empresarial San José, S.A. and Lábaro Grupo Inmobiliario, S.A. agreed to terminate the agreement whereby in 2007 the former had sold to the latter shares representing 12% of Parquesol Inmobiliaria y Proyectos, S.A., as a result of which Grupo Empresarial San José, S.A. recovered absolute title to the aforementioned shares and Lábaro Grupo Inmobiliario, S.A. was released from the obligation to pay the full price established in the purchase and sale agreement in December 2007 (approximately EUR 107 million, EUR 22.5 per share). Also, the gain (EUR 2,782 thousand) that had been recognised in relation to this transaction in the 2007 consolidated financial statements was also eliminated (see Note 22.9). Since the price paid to acquire the aforementioned shares was lower than the value assigned to the assets and liabilities of the Parquesol Group on the date on which control was acquired, this transaction led to an increase of approximately EUR 8.5 million in reserves.

Therefore, at 31 December 2008, the Udra Group held ownership interests in Parquesol Inmobiliaria y Proyectos, S.A. of 50.79% through Udramed, S.L.U. and 15.27% through Grupo Empresarial San José, S.A. In addition, at 31 December 2008, Parquesol Inmobiliaria y Proyectos, S.A. held treasury shares representing 4.99% of its share capital, and, accordingly, at 31 December 2008 the Udra Group had an effective ownership interest of 69.5% in Parquesol.

3. In accordance with IFRS 3, “Business Combinations”, which states that the fair values of assets acquired may be reviewed up to one year after the acquisition date, in 2007 the Udra Group made a new allocation of the excess amount paid to acquire control over Parquesol Inmobiliaria y Proyectos, S.A. (see Note 9).

4. On 28 March 2008, Constructora San José, S.A. entered into an irrevocable agreement with the Group company Tecnoartel Argentina, S.A., in order to convert into capital the financial contributions made by the former to the latter amounting to USD 33,813 thousand (approximately EUR 23,364 thousand), so that Tecnoartel Argentina, S.A. could make the payments corresponding to the acquisition of shares of Carlos Casado, S.A. This agreement was recorded in the minutes to the Extraordinary General Meeting of Tecnoartel Argentina, S.A. on 23 October 2008, at which it was resolved to increase the capital of this company by ARS 105,497 thousand and the former shareholders waived their pre-emptive subscription right to the benefit of Constructora San José, S.A. Consequently, Constructora San José, S.A. became the main shareholder of Tecnoartel Argentina, S.A. with a 99.72% ownership interest and the remaining share capital is held by other Udra Group companies.

5. In 2008, through its subsidiaries Tecnoartel Argentina, S.A. and Constructora San José Argentina, S.A., the Group increased its ownership interest in Carlos Casado, S.A. to 49.84% (46.7% at 2007 year-end). The total cost of the ownership interest is ARS 133,756 thousand (approximately EUR 27.9 million). The goodwill arising on this acquisition amounted to approximately EUR 21.3 million, which was allocated in full to the investment property owned by Carlos Casado, S.A.

6. Carlos Casado, S.A. has been listed on the Buenos Aires Stock Exchange since 1958. It carried on its main business activities in the property and agriculture industries in Argentina, Paraguay and Uruguay. It owns real estate assets in Buenos Aires and 310,000 hectares of land in the Paraguayan region of Chaco, where it currently operates a livestock and crop farm which also produces biofuel.

Carlos Casado, S.A. has controlling interests in Parsipanny Corp. (Uruguay, 100%), Puerto de Segura, S.A. (Argentina, 100%) and Rincón, Sociedad Anónima Ganadera (Paraguay, 99.98%).

The UDRA Group holds more than 50% of the voting power of Carlos Casado, S.A., which gives it control over the company's financial and operating policies and, therefore, it was fully consolidated in 2008 (accounted for using the equity method in 2007).

On 3 September 2008, Carlos Casado, S.A. entered into a framework agreement with Cresud SACIF y A. (a non-related company), in addition to certain supplementary agreements, the purpose of which was to draw up a production plan for the two companies in Paraguay. To this end, Carlos Casado, S.A. and Cresud SACIF y A. incorporated on an equal-footing basis, the Paraguayan company Cresca, S.A., the company object of which is crop and livestock farming and forestry work.

In this agreement, Carlos Casado, S.A. undertook to contribute 41,931 hectares of land owned by it in Paraguay to Cresca, S.A. in 2009, valued at USD 250/Ha. In parallel, Cresud SACIF y A. paid Carlos Casado, S.A. 50% of the amount of this contribution (USD 5,241 thousand). This contribution became effective through a capital increase at Cresca, S.A. on 3 February 2009.

Also, on 3 September 2008, Carlos Casado, S.A. granted Cresca, S.A. a call option on an additional 100,000 Ha., with an exercise period of 12 months (expiring on 3 September 2009) at a price of USD 350/Ha., a price to be paid in USD on the date on which the public deed of sale was executed.

Carlos Casado, S.A. and Cresud, SACIF y A. also undertook to make the necessary contributions to Cresca, S.A. to enable it to carry on its business activities on the basis of the business plans approved each year.

Carlos Casado, S.A. and Cresud, SACIF y A. agreed to a buy-sell clause whereby in certain circumstances, either party may request that the other purchase or sell its entire ownership interest. Also, both parties have right of first refusal on each other's shares if they wish to sell the shares of Cresca, S.A. to a third party.

7. On 28 November 2008, the shareholders at the General Meeting of Corporación Sant Bernat, S.C.R., de Régimen Común, S.A. (CORSABE), approved a capital reduction through the partial remittance of capital calls and other related payments and through the retirement of the treasury shares it held at that date. Consequently, after the aforementioned transaction, the capital payments payable by Constructora San José, S.A., which at 31 December 2007 amounted to EUR 5,988 thousand ceased to exist, thereby reducing the cost of its ownership interest from EUR 12,270 thousand to EUR 6,281 thousand at 31 December 2008. The ownership interest held by Constructora San José, S.A. in the share capital of Corsabe fell from 50.17% to 28%. This company became an associate and was therefore accounted for using the equity method in 2008 (fully consolidated in 2007).

8. In March 2008, Constructora San José, S.A. acquired a 25% ownership interest in the share capital of San José Perú, S.A.C., giving it all the shares of this company. This transaction was performed for a total cost of EUR 4,557 thousand, of which EUR 2,257 thousand had not been paid at 31 December 2008, which was recognised under "Non-Current Liabilities - Other Financial Liabilities" at that date (see Note 16). The payment of this amount is conditional upon the achievement of certain urban development targets and EBITDA objectives relating to this company's property inventories.

9. In April 2008 Constructora San José, S.A. (through its permanent establishment in Portugal) and Emprendibérica, S.G.P.S., S.A (Dico Group), entered into an agreement whereby the latter transferred to the former shares representing 50% of the share capital of the Portuguese company ZIVAR - Investimentos Imobiliários, S.A. (25,000 shares valued at EUR 2,473 thousand), in addition to two loans it had granted to Zivar amounting to EUR 2,277 thousand as an accord and satisfaction relating to construction work being carried out by Constructora San José, S.A. for Portas de Lisboa - Sociedade de investimentos Imobiliarios, S.A.

Also, on 18 November 2008, Constructora San José, S.A. acquired an additional 2.5% of ZIVAR from Azata, S.A. (which owned the other 50%), for EUR 237,500.

ZIVAR owns 99% of the shares of Aprisco Salvador Investimentos Hoteleiros e Imobiliario Lda. and Hospes Brasil Participaciones e Emprendimentos Lda. These two companies hold absolute title to an area of land measuring approximately 15,200 m2 located in the urban area of Salvador de Bahía (Brazil) and have a licence to build two luxury hotels, the projects for which have been approved.

ZIVAR was not consolidated in 2008 as its effect was considered to be scantly material. Furthermore, the Parent's directors consider that the cost of the ownership interest and the loans to which title is held by Constructora San José, S.A. are supported by the fair value of the aforementioned building lots.

10. Other changes:

- Incorporation of Enerxías Renovables de Galicia, S.A. in March 2008 with share capital of EUR 3 million in which Sanjose Tecnologías, S.A.U. holds a 75% ownership interest and Grupo Empresarial San José, S.A. holds a 25% ownership interest. Its registered office is in Pontevedra and it engages mainly in the production and retailing of electricity using renewable energy sources. This company was awarded 142 MW in the wind power tender organised by the Department of Innovation and Industry of the Autonomous Community Government of Galicia.

  On 26 December 2008, published in the Official Journal of Galicia on 2 February 2009, the Department of Innovation and Industry of the Autonomous Community Government of Galicia awarded the Company the concession for the construction and subsequent operation of five wind farms in Galicia. The total budget for the execution thereof is estimated to amount to approximately EUR 200 million.

  Since this concession was granted at the end of 2008 and because it could take time for definitive authorisation to be granted for the construction work, it is expected to commence in the first half of 2010.

- Incorporation of Poligeneració Parc de L'Alba ST-4, S.A. in March 2008 with share capital of EUR 6 million, which is owned 86% by Tecnocontrol, S.A., 10% by Consorci Urbanistic del Centro Direccional de Cerdányola del Vallés and 4% by Lonjas y Mercados, S.A. Its registered office is in Cerdányola del Vallés (Barcelona) and it engages mainly in the construction, start-up and maintenance of electricity polygeneration plants.

- Incorporation of Xornal de Galicia, S.A. in July 2008 with share capital of EUR 1 million, wholly- owned by Udra Medios, S.A.

- In April 2008 Udra Medios, S.A. acquired 3,025 shares of Promoción Cultural Galega 2007, S.L. representing 97.58% of the share capital of the latter for EUR 3,025 thousand.

- In 2008 Parquesol Inmobiliaria y Proyectos, S.A. subscribed the capital increase at Lhotse Desarrollos Inmobiliarios, S.L. through the conversion of the loans it had granted to this company into capital. This capital increase was carried through the conversion into capital of the participating loans granted by Parquesol Inmobiliaria y Proyectos, S.A. and Caja Castilla-La Mancha Corporación, S.L to this investee totalling EUR 37,500 thousand, of which EUR 18,750 corresponded to Parquesol, which maintained the same ownership interest as it had held previously (50%).

- In 2008 Centro Comercial Panamericano, S.A. (CPP) made irrevocable contributions to Panamerican Mall, S.A. totalling EUR 5,911 thousand, which had been converted into capital at the date of authorisation for issue of these consolidated financial statements. CPP's main asset is its ownership interest (20%) in Panamerican Mall, S.A. (see Note 11), a company incorporated in 2006 and which is currently implementing a project relating to the construction, marketing and administration of a new shopping centre in the Saavedra neighbourhood of Buenos Aires.

The main changes in the scope of consolidation in 2007 were as follows:

Transactions performed as part of the reorganisation of UDRA, S.A.

1. Acquisition of Parquesol Inmobiliaria y Proyectos, S.A.:

On 30 November 2006, pursuant to Securities Market Law 24/1988, of 28 July, and to Royal Decree 1197/1991, of 26 July, on takeover bids, the investee Udramed, S.L.U. filed the prospectus for the takeover bid for all the shares of Parquesol Inmobiliaria y Proyectos, S.A. (Parquesol) with the Spanish National Securities Market Commission (CNMV), the offer price being EUR 23.1 per share, subject to a minimum acceptance of one half plus one of the shares composing the total share capital of Parquesol. The aforementioned takeover bid was settled on 8 January 2007 with the acceptance of the owners of 50.8% (20,174,088 shares) of the share capital, thus giving Udramed, S.L.U. effective control over Parquesol. The total cost, including the costs associated with the bid, was EUR 475,508 thousand.

Grupo Empresarial San José, S.A., together with Udramed, S.L.U., entered into a double syndicated loan agreement for EUR 466,021 thousand to settle this transaction (see Note 16.1).

In 2007 further ownership interests were acquired on the stock exchange through Grupo Empresarial San José, S.A. to achieve an additional holding of 12.3% in Parquesol. The average acquisition price of the additional ownership interest amounted to EUR 21.9 per share (EUR 107,259 thousand). On 10 December 2007, the Company sold 12% of Parquesol to the Lábaro Group. The selling price was EUR 107,253 million (EUR 22.5 per share), payable in three promissory notes maturing in December 2008.

After this sale Grupo Empresarial San José, S.A. acquired a further ownership interest of 2% in Parquesol at an average cost of EUR 22.3 per share (EUR 17,601 thousand).

At 31 December 2007, the Group's effective ownership interest in Parquesol, held through Udramed, S.L.U. and Grupo Empresarial San José, S.A., stood at 53.1% with a total cost of EUR 495,821 thousand.

At 31 December 2007, Parquesol held treasury shares representing 4.981% of its share capital, whereby the Group's effective interest in Parquesol stood at 58.1% at 2007 year-end.

The Inmobiliario Parquesol Group engages mainly in the development and sale of properties, the lease of buildings and the lease of hotels owned by it.

2. Acquisition of Deconalva, S.A.:

In January 2007, through Constructora San José, S.A., the Group acquired from Tropical Investment Group Ltd. 75% (and thus effective control) of the share capital of Deconalva, S.A., domiciled in Santo Domingo (Dominican Republic).

Deconalva, S.A. was founded in 1985 and since then it has engaged mainly in construction activities: building works, civil engineering, industrial facilities, refurbishment, restoration and the development of large tourism and leisure projects, operating mainly in the Caribbean.

The total cost of the transaction was set at USD 17,625 thousand (EUR 13,592 thousand), of which USD 3,500 thousand (EUR 2,699 thousand) was disbursed. The remaining USD 14,125 thousand (EUR 10,893 thousand) will be disbursed in three payments in 2008 and 2009 and the price effectively paid is directly and closely tied to DECONALVA's achievement of certain targets related to consolidated profit before tax. In this regard, the purchase agreement provides that if DECONALVA does not achieve the consolidated profit before tax established for each payment period, the payment for the shares will be reduced in the corresponding proportion. At 31 December 2007, the total cost recognised by the acquirer (Constructora San José, S.A.) includes only the portion of the price already disbursed and the capital increase of USD 6,000 thousand (EUR 4,465 thousand) carried out in 2007.

Constructora San José, S.A. also holds a call option on the remaining 25%, which may be exercised between 30 June and 30 December 2010. The exercise price will be established in US dollars on the basis of the arithmetic mean of DECONALVA's consolidated ordinary profit in the period between the date of the option agreement and the exercise date.

3. Acquisition of Sierra de Nipe, S.A.:

In 2007 Inmobiliaria Udra, S.A. acquired all the shares of Sierra de Nipe, S.A., domiciled in the Dominican Republic. The acquisition cost was USD 2 thousand.

The company's main assets are two plots of land in Santo Domingo (Dominican Republic) with a total area of 1,686 m2 and valued at approximately EUR 2 million. The aforementioned plots were acquired from DECONALVA, S.A. for their carrying amount and the acquisition was financed through a loan granted by Constructora San José, S.A.

4. Acquisition of Casado:

In 2007, through the subsidiary Tecnoartel Argentina, S.A., the Group increased its ownership interest in Carlos Casado, S.A. (listed on the Buenos Aires Stock Exchange) to 46.7% at 2007 year-end. The total cost of the ownership interest was ARS 103,775 thousand (approximately EUR 22.5 million). The goodwill arising on this acquisition amounted to approximately EUR 16 million.

Carlos Casado, S.A. was incorporated in 1909 and has been listed on the Buenos Aires Stock Exchange since 1958. It carries on its main business activities in the property and agriculture industries in Argentina, Paraguay and Uruguay. It owns real estate assets in Buenos Aires and 310,000 hectares of land in the Paraguayan region of Chaco, where it currently operates a livestock and crop farm which also produces biofuel.

Carlos Casado, S.A. has controlling interests in Parsipanny (Uruguay, 100%), Puerto de Segura, S.A. (Argentina, 100%) and Rincón, S.A. Ganadera (Paraguay, 99.98%).

Carlos Casado, S.A. was accounted for using the equity method in 2007.

5. Sale of Auchán Argentina:

On 2 August 2007, Cadenas de Tiendas S.A.U. and Comercial Udra S.A. sold their ownership interests (combined holding of 100%) in Inversiones Auchan Argentina S.A. and Auchan Argentina S.A. (composed mainly of several shopping centres in Buenos Aires) to Wal-Mart Canada Corp and Assedox S.L. The selling price was USD 15,101 thousand (EUR 10, 706 thousand). Of this price, USD 12,241 thousand were collected and USD 2,860 thousand were deposited in an escrow account at Banco Santander Internacional. The latter amount will become available depending on the result of certain tests yet to be performed on the acquired entities' financial statements at 31 December 2007, which will be certified by their auditors.

The consolidated gain on the aforementioned sale amounted to EUR 5,352 thousand and was recognised under "Impairment and Gains or Losses on Disposal of Non-Current Assets" in the accompanying consolidated income statement for 2007, which includes the related transaction costs and a provision of EUR 750 thousand for potential contingencies arising from the sale.

At 31 December 2008, there had been no adjustments to the price and the USD 2.8 million deposit that had not been collected is expected to be recovered in 2009.

6. Other

- In September 2007 the share capital of San José Construction Group Inc. (USA) was increased by USD 3,500 thousand through the conversion of debt into capital. Subsequently, in the same month, the share capital of San José Construction Group Inc. was increased by USD 5,450 thousand, which was fully subscribed and paid in cash by Buckner Properties, a US real estate company, with the result that the latter held 30% of the share capital and the investment of Grupo Empresarial San José was reduced to 70%. This transaction gave rise to a gain of EUR 2,616 thousand for Grupo Empresarial San José.

• Incorporation of Nuevo Parque de Bomberos, S.A., the company awarded the concession by the Balearic Islands Government for the construction and operation of a new fire station in Palma de Mallorca. Grupo Empresarial San José holds an ownership interest of 28% in this company through Constructora San José, S.A.

• Formation of Gestión de Servicios de Salud, S.L., whose company object is the development, planning, execution, construction, equipping, management and operation of healthcare equipment and facilities and the provision of ancillary healthcare, public health and social services. Grupo Empresarial San José holds an ownership interest of 54% in this company through San José Concesiones y Servicios, S.A.

• Altiplano Desarrollos Inmobiliarios, S.L. (Valladolid) and SUPRA Desarrollos Inmobiliarios, S.L. (Seville) were incorporated in 2007, both of which are 55% owned by the Parquesol Group.

The consolidated financial statements do not include the tax effect, if any, that might arise from the inclusion of the reserves of the consolidated companies in the equity of the Parent, since it is considered that these reserves will be used as a source of self-financing at each consolidated company.

3. Distribution of the Parent's profit

The distribution of profit that the Parent's directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros	
	2008	2007
Distributable profit:		
Profit for the year	5,071	6,425
Distribution:		
To voluntary reserves	5,071	959
Dividends	-	5,466

4. Accounting principles and policies and measurement bases

The accounting principles and policies and measurement bases used in preparing the Group's consolidated financial statements for 2008 were as follows:

Going concern principle

The consolidated financial statements for 2008 were prepared in accordance with the going concern principle of accounting. The refinancing process in progress, the review of the cash budget for the coming months and the sensitivity analyses performed by the Group at 31 December 2008 make it possible to reasonably conclude that the Udra Group will be able to finance its operations even if the conditions of the construction, real estate and financial markets continue to worsen.

4.1 Non-current assets classified as held for sale

Non-current assets classified as held for sale relate to assets whose sale in their present condition is highly probable and whose sale is expected to be completed within one year from the reporting date. Therefore, the carrying amount of these items will foreseeably be recovered through the proceeds from their disposal rather than through continuing use.

In general, non-current assets classified as held for sale are measured at the lower of carrying amount at the classification date and fair value less estimated costs to sell. Tangible and intangible assets that are depreciable/amortisable because of their nature are not depreciated or amortised while they are classified as held for sale.

If the carrying amount of the assets exceeds their fair value less estimated costs to sell, the carrying amount of the assets is adjusted by the amount of the excess with a charge to the consolidated income statement. If the fair value of the assets subsequently increases, the losses previously recognised are reversed and the carrying amount of the assets is increased up to the limit of the carrying amount that would have been determined had no impairment loss been recognised, with a credit to the consolidated income statement.

At 31 December 2008 and 2007, the Group did not have any material non-current assets held for sale.

4.2 Goodwill

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

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

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

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

The detail of the allocation of the excess amounts paid in business combinations that occurred in 2008 is shown in Note 9.

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

Goodwill acquired on or after 1 January 2005 is measured at acquisition cost and that acquired earlier is recognised at the carrying amount at 31 December 2004. In both cases, at the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Impairment or Gains or Losses on Disposals of Non-Current Assets" in the consolidated income statement. Under IAS 36, Impairment of Assets, an impairment loss recognised for goodwill must not be reversed in a subsequent period.

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

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

Any deficiency of the cost of investments in consolidated companies and associates below the related underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is classified as negative goodwill and is allocated as follows:

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

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

4.3 Other intangible assets

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

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

In both cases, the consolidated companies recognise any impairment loss on the carrying amount of these assets with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are similar to those used for property, plant and equipment (see Note 4.5).

Administrative concessions and patents

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

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

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

Computer software

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

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

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

4.4 Property, plant and equipment and investment property

Property, plant and equipment

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

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

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

Borrowing costs are only capitalised when significant investments in qualifying assets are made, which are those that take a substantial period of time to get ready for their intended use (see Note 4.13). Borrowing costs incurred to acquire property, plant and equipment for own use are charged to the consolidated income statement on an accrual basis and are not capitalised.

Group work on non-current assets is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of in-house warehouse materials consumption, and manufacturing costs allocated using hourly absorption rates similar to those used for the measurement of inventories).

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

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

	Annual Depreciation Rate (%)
Buildings	2
Plant	10
Machinery	15
Other fixtures, tools and furniture	12-33
Other items of property, plant and equipment	12-33

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

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

At 31 December 2008, "Property, Plant and Equipment" in the accompanying consolidated balance sheet includes a net amount of EUR 7,821 thousand relating to assets held under finance leases (see Note 7).

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

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

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

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

Investment property

"Investment Property" in the consolidated balance sheet reflects the net values of land, buildings and other structures (whether they are owned by the Group or are being used by the Group under a finance lease) held either to earn rentals or for capital appreciation. At 31 December 2008, the assets recognised under "Investment Property" related mainly to office buildings, hotels, leisure centres, land and parking spaces and the items of property, plant and equipment associated with them, such as machinery and furniture, whether owned by the Group or held under finance lease.

Hotels and leisure centres leased to third parties in which the Group does not participate in management and has not retained the risks associated therewith are classified as "Investment Property". If the Group participates in management, these assets are classified as "Property, Plant and Equipment".

Investment property is presented at acquisition or production cost revalued, where appropriate, pursuant to the applicable legislation. The same measurement basis, depreciation methods, estimated useful lives and recognition criteria are used for investment property (see Note 8).

Properties under construction or development for future use as investment property are classified under "Investment Property in Progress" in the consolidated balance sheet (see Note 8) until their construction or development has been completed, at which time they are transferred to "Investment Property".

The borrowing costs capitalised to "Investment Property" in 2008 amounted to EUR 1,595 thousand.

However, the investment property that meets the conditions for classification as "Non-Current Assets Classified as Held for Sale" is measured in accordance with the rules applicable to non-current assets held for sale and discontinued operations (see Note 4.1).

Borrowing costs

The accounting treatment of borrowing costs is described in Note 4.13.

The borrowing costs capitalised to "Inventories" and "Investment Property" in 2008 amounted to EUR 16,465 thousand and EUR 1,595 thousand, respectively (2007: EUR 4,829 thousand and EUR 3,981 thousand, respectively).

4.5 Asset impairment

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

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

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

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

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

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the consolidated income statement.

4.6 Leases

4.6.1 Finance leases

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

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

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

4.6.2 Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

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

When the consolidated companies act as the lessee, lease costs, including any incentives granted by the lessor, are recognised in the income statement on an accrual basis.

4.7 Inventories

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

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

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

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

The cost of inventories is calculated by using the weighted average cost formula. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

"Developments under Construction" includes the land development costs incurred up to year-end and the costs of construction or acquisition of real estate developments, increased by the expenses directly allocable to them (costs of construction subcontracted to third parties, fees inherent to construction and project management fees), in addition to the reasonable portion of the costs indirectly allocable to the related assets, to the extent that these costs correspond to the development period, and the borrowing costs incurred during the construction period. The borrowing costs capitalised to "Inventories" in 2008 amounted to EUR 16,465 thousand.

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

Also, "Inventories" includes advances to suppliers for the purchase of inventories amounting to EUR 27,860 thousand (see Note 12).

4.8 Trade receivables and customer advances

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

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

4.9 Financial instruments

Definitions

A "financial instrument" is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

A "financial derivative" is a financial instrument whose value changes in response to the change in an observable market variable (such as a specified interest rate, foreign exchange rate, financial instrument price or market index), the initial investment in which is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and which is generally settled at a future date.

The following transactions are not treated for accounting purposes as financial instruments:

- Investments in associates.
- Rights and obligations under employee benefit plans.
- The rights and obligations arising from insurance policies.
- Contracts and obligations relating to share-based employee remuneration.

Initial recognition of financial instruments

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

A regular way purchase or sale of financial assets, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled net is recognised on the date from which the rewards, risks, rights and obligations attaching to all owners are for the purchaser, which, depending on the type of financial asset purchased or sold, may be the trade date or the settlement or delivery date.

Derecognition of financial instruments

Financial assets are only derecognised when:

- The contractual rights to the cash flows from the financial asset expire; or
- The financial asset is transferred and substantially all the risks and rewards of ownership are transferred or, even if they are not substantially transferred or retained, control over the financial asset is transferred.

Financial liabilities are only derecognised when the obligations they generate have been extinguished or when they are repurchased, even if they are going to be placed on the market again in the future.

Fair value of financial instruments

The "fair value" of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques sufficiently used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Specifically, the fair value of financial derivatives traded on organised, transparent and deep markets included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price cannot be determined on a given date, these financial derivatives are measured using methods similar to those used to measure the derivatives not traded on organised markets.

The fair value of OTC derivatives or derivatives traded in scantly deep or transparent organised markets is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value") using valuation techniques commonly used by the financial markets ("net present value", option pricing models, etc.).

Amortised cost of the financial instruments

"Amortised cost" is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and interest payments, plus or minus, as appropriate, the portion allocated to the consolidated income statement, calculated using the effective interest method, of the difference between the initial cost and the repayment value of the financial instruments. In the case of financial assets, amortised cost also includes any write-downs due to impairment.

The "effective interest rate" is the discount rate that exactly matches the carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date adjusted, where applicable, by the fees and transaction costs that must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is estimated as for fixed rate instruments and is recalculated on each contractual repricing date on the basis of the changes in the future cash flows arising therefrom.

Classification and measurement of financial assets and liabilities

Financial instruments are classified in the consolidated balance sheet into the following categories:

Financial assets

- **Held-for-trading financial assets:** financial assets acquired with the intention of realising them at short term or those which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking and derivatives not designated as hedging instruments.

- **Held-to-maturity investments:** financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity. They do not include loans and accounts receivable from third parties.

- **Originated loans and receivables:** financial assets originated by the Group in exchange for supplying cash, goods or services directly to a debtor, which are measured at amortised cost.

- **Available-for-sale financial assets:** these include securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments, and equity instruments owned by the Group and issued by entities other than subsidiaries, joint ventures or associates.

Held-for-trading financial assets and available-for-sale financial assets are measured at fair value at subsequent measurement dates. In the case of marketable securities, the gains and losses from changes in fair value are recognised in net profit or loss for the year. In the case of available-for-sale financial assets, the gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

Financial liabilities

Financial liabilities are classified in accordance with the content of the contractual arrangements. The main financial liabilities held by the Group are held-to-maturity financial liabilities, which are measured at amortised cost.

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

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

Equity

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

4.10 Shares of the Parent

The Udra Group did not hold any treasury shares at 31 December 2008 and did not perform any transactions involving treasury shares in 2008 and 2007.

4.11 Derivative financial instruments and hedge accounting

The Group's activities expose it mainly to interest rate risk and, accordingly, the Group uses financial derivatives, basically interest rate swaps (IRSs), as part of its strategy to reduce its exposure to interest rate risk. When these transactions meet certain requirements, they qualify for hedge accounting.

In order for a transaction to be classified as a hedge it must be carried out at the inception of the transactions or of the instruments included in the hedge, provided there is adequate documentation of the hedging relationship. The hedge accounting documentation must include adequate identification of the hedged item(s) and the hedging instrument(s), the nature of the risk to be hedged and the criteria or methods used to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

Consequently, only hedges that are considered to be highly effective over their entire life are considered to qualify for hedge accounting. A hedge is considered to be highly effective if, during its expected life, the changes in fair value or cash flows of the hedged item that are attributable to the risk hedged in the hedging of the financial instrument or instruments are offset substantially in full by changes in the fair value or cash flows, as the case may be, of the hedging instrument or instruments.

To measure the effectiveness of hedges, it is analysed whether, from inception to the end of the term defined for the hedge, it can be expected, prospectively, that the changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk will be offset substantially in full by changes in the fair value or cash flows, as the case may be, of the hedging instrument(s) and, retrospectively, that the results of the hedge are within a range of 80% to 125% of the results of the hedged item.

Hedges are classified into the following categories:

- **Fair value hedges.** These hedges hedge the exposure to changes in the fair value of financial assets or liabilities or unrecognised firm commitments, or of an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk, provided that it could affect the consolidated income statement.
- **Cash flow hedges.** These hedges hedge the exposure to changes in cash flows that is attributable to a particular risk associated with a financial asset or liability or to a highly probable forecast transaction, provided that it could affect the consolidated income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, when the hedge no longer qualifies for hedge accounting or the designation as a hedge is revoked.

When, pursuant to the foregoing paragraph, hedge accounting of a fair value hedge is discontinued, in the case of hedged items carried at amortised cost, the value adjustments made as a result of the hedge accounting discussed above are recognised in the consolidated income statement through maturity of the hedged items using the effective interest rate recalculated at the date of discontinuation of hedge accounting.

Also, when hedge accounting of a cash flow hedge is discontinued, the cumulative gain or loss on the hedging instrument recognised in consolidated equity is retained in equity until the forecast hedged transaction occurs, when it will be transferred to consolidated income statement or the cost of acquisition of the asset or liability to be recognised will be adjusted, if the hedged item is a forecast transaction which results in the recognition of a financial asset or a financial liability.

In the case of the derivative financial instruments arranged by the Group that meet the aforementioned requirements for classification as a cash flow hedge, the changes in the fair value in 2008 were recognised under "Equity - Valuation Adjustments" in the accompanying consolidated balance sheet (see Note 14.6).

The changes in 2008 in the fair value of the derivative financial instruments arranged by the Group that do not fully meet the aforementioned requirements for classification as a hedge were recognised under "Changes in Fair Value of Financial Instruments" in the consolidated income statement (see Note 17).

To determine the fair value of the interest rate derivatives (IRSs), the Group uses an in-house IRS valuation model where the inputs are the Euribor market curves and long-term swap rates to establish the fair value of the interest rate derivative structures. In order to calculate the fair value of option-based derivatives (collars), the Group uses Black-Scholes option pricing models and variations thereon, taking as an input the implied volatility in the markets for the corresponding strikes and times to expiry.

At 31 December 2008, the Group held interest rate swaps (IRSs and collars) for a total notional amount of EUR 839 million, expiring between 2009 and 2024. The negative impact of the change in fair value resulting from these arrangements at the end of the reporting period was approximately EUR 28 million. Of this amount, EUR 7 million was recognised under "Changes in Fair Value of Financial Instruments" in the accompanying consolidated income statement for 2008, since they did not fully qualify for hedge accounting.

4.12 Revenue and expense recognition

LRevenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises:

1. Sales of goods are generally recognised when the goods have been delivered and title thereto has been transferred.

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

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

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

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

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

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

As regards construction work or projects performed on an order basis and by contract, the revenue from work performed not included in the contract, such as additional refurbishment and construction modifications, is recognised using the same method as for the main construction project, provided that there are no doubts as to their subsequent approval and that they are technically justified.

Consequently, progress billings and the amounts to be billed for work performed are recognised in the related trade receivables account with a credit to sales.

The amount of progress billings for work not yet performed is recognised under "Advances Received on Orders" on the liability side of the balance sheet.

4. The principal activity carried out by the Real Estate Division is the sale of houses and land. This activity is treated as a sale of goods in accordance with IAS 18. Revenue from this activity is recognised when the risks and rewards of ownership of the goods have been transferred to the buyer which usually is the date on which the public deed is executed. In this regard:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

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

4.13 Borrowing costs

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

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

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

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

4.14 Foreign currency transactions

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

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

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

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

3. Equity is translated at the historical exchange rates.

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

Goodwill arising on the acquisition of a foreign company is treated as an asset of the foreign company and is translated at the closing rate. Goodwill and fair value adjustments arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and are translated at the closing rate.

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

Company	Location/ Registered Office	Line of Business
Constructora San José Cabo Verde, S.A.	Cape Verde	Construction
Constructora San José Argentina, S.A.	Buenos Aires (Argentina)	Construction
CIMSA Argentina, S.A.	San Luis (Argentina)	Civil engineering
San José Uruguay, S.A.	Colonia Sacramento (Uruguay)	Industrialisation and marketing
San José Construction Group, Inc	Washington (US)	Construction
San José Real Estate Development, LLC	Delaware (US)	Property development
1681 West Avenue, LLC	Delaware (US)	Property development
Tecnoartel Argentina, S.A.	Buenos Aires (Argentina)	Maintenance and installation work
Constructora Panameña de Aeropuertos, S.A.	Panama City (Panama)	Construction
San José Perú, S.A.C.	Lima (Peru)	Construction
Espinosa Arquitectos, S.A.	Lima (Peru)	Construction and development
Esparq Construcciones, S.A.	Lima (Peru)	Construction
Centro Comercial Panamericano, S.A.	Buenos Aires (Argentina)	Property development
Argentimo, S.A.	Buenos Aires (Argentina)	Property development
Inmobiliaria Sudamericana de Desarrollos Urbanísticos, S.A.	Buenos Aires (Argentina)	Property development
Sefri Ingenieros Maroc, S.A.R.L	Morocco	Engineering and installation services
Udra Argentina, S.A.	Buenos Aires (Argentina)	Property
Auchan Argentina, S.A.	Buenos Aires (Argentina)	Retailing
Deconalva, S.A.	Santo Domingo (Dominican Republic)	Construction
ZIVAR - Invertimentos Inmobiliarios, S.A.	Lisbon (Portugal)	Property development
Carlos Casado, S.A.	Buenos Aires (Argentina)	Property development

The detail of the performance of the main currencies in which the Group operates with respect to the euro is as follows:

Country	Currency	Closing Rate	Average Exchange Rate
United States	US dollar	1.39	1.47
Mexico	Mexican peso	19.43	16.45
Argentina	Argentine peso	4.87	4.69
Cape Verde	Cape Verde escudo	110.27	110.26
Panama	Panamanian balboa	1.43	1.50
Uruguay	Uruguayan peso	35.06	31.45
Peru	Peruvian sol	4.47	4.40
Morocco	Moroccan dirham	11.32	11.44
Dominican Republic	Dominican peso	49.71	48.07

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

4.15 Profit (Loss) from operations

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

4.16 Income tax

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

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

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

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

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

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

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

Notwithstanding the foregoing:

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

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

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

Since 1 January 2006, the Parent has also been the Parent of the consolidated tax group. At 31 December 2008, the following Udra group companies filed consolidated tax returns, with Udra, S.A. as the head of the consolidated tax group:

- Grupo Empresarial San José, S.A.
- Constructora San José, S.A.
- Constructora Ávalos, S.A.U.
- Alcava Mediterránea, S.A.U.
- Balltagi Mediterrani, S.A.U.
- Cartuja Inmobiliaria, S.A.U.
- Construcción, Rehabilitación y Conservación, S.L.U.
- San José Infraestructuras y Servicios, S.A.U.
- Desarrollos Urbanísticos Udra, S.A.U.
- Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.U.
- Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.
- San Pablo Plaza, S.A.U.
- Inversiones Patrimoniales Guadaiza, S.L.U.
- Sanjose Tecnologías, S.A.U.
- Instal 8, S.A.U.
- SM Klima, S.A.U.
- Sefri Ingenieros, S.A.U.
- Artel Ingenieros, S.L.U.
- Udra Mantenimiento, S.L.U.
- Tecnocontrol Sistemas de Seguridad, S.A.U.
- Tecnocontrol Servicios, S.A.U.
- Tecnocontrol, S.A.U.
- Udramed, S.L.U.

- Gabinete de Selección, S.L.

- Basket King, S.A.

- Arserex, S.A.

- Comercial Udra, S.A.

- Udramedios, S.A.

- Cadena de Tiendas, S.A.U.

- Trendy King, S.A.U.

- Outdoor King, S.A.U.

- Hood Sports, S.A.U.

- Fashion King, S.A.U.

- Running King, S.A.U.

- Enerxías Renovables de Galicia, S.A.

- Xornal de Galicia, S.A.U.

4.17 Provisions

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

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

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

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

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

4.17.1 Provisions for urban development costs

These provisions relate to the estimated costs not yet incurred in the urban development of previously sold plots of land (basically in relation to the second phase of the Valladolid Parquesol Subdivision Plat), estimated on the basis of technical and economic studies carried out. The distribution among the various plots of the total costs to be incurred in the urban development work is made in proportion to the square metres of the previously sold plots with respect to the total urban development area (see Note 15).

4.17.2 Provisions for completion of construction projects and warranty costs

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

4.17.3 Litigation and/or claims in process

At the end of 2008 certain litigation and claims were in process against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and the Parent's directors consider that the outcome of litigation and claims will not have a material effect on the consolidated financial statements for the years in which they are settled.

4.18 Termination benefits

Under the legislation in force in each case, the Spanish consolidated companies and certain Group companies located abroad are required to pay termination benefits to employees terminated without just cause. There are no redundancy plans making it necessary to recognise a provision in this connection.

Also, the Company has recognised sufficient provisions under "Other Current Liabilities" on the liability side of the accompanying consolidated balance sheet at 31 December 2008 to meet the contract termination costs of temporary employees in accordance with legal provisions.

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

4.19 Current/Non-current classification

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

4.20 Consolidated cash flow statements

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

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

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

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

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

5. Earnings per share

5.1 Basic earnings per share

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

	2008	2007	Change
Net profit (loss) for the year attributable to the Parent (thousands of euros)	(46,359)	34,457	(80,816)
Weighted average number of shares outstanding	218,640	218,640	-
Basic earnings per share (euros/share)	(212,07)	157,63	(369,70)

5.2 Diluted earnings per share

There was no potential dilutive effect arising from share options, warrants, convertible debt and other instruments at 31 December 2008 and, accordingly, the diluted earnings per share coincide with the basic earnings per share.

6. Segment reporting

6.1 Basis of segmentation

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

Primary segments - business segments

The business lines described below were established on the basis of the organisational structure of Udra and Subsidiaries at 2008 year-end, taking into account, on the one hand, the nature of the goods and services offered and, on the other, the customer segments at which they are targeted.

In 2008 Udra, S.A. and Subsidiaries engaged mainly in the following major lines of business, which were the basis for the Group's primary segment reporting:

1. Construction (civil engineering and building construction).
2. Property and urban development.
3. Energy and industrial activity.
4. Commercial services.

Also, the income and expenses that cannot be specifically attributed to any operating line are attributed to "Other".

Secondary segments - geographical segments

The Group's operations are located in Spain, the United States, Latin America (Argentina, Uruguay, Peru and Panama) and other European countries (Portugal, France and Germany).

6.2 Basis and methodology for segment reporting

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

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

The segment's results are presented before any adjustments relating to the consolidation process, which are included in the "Consolidation Adjustments" column.

Segment assets and liabilities are those directly related to the operations of the segments and include the proportional part relating to joint ventures. Segment liabilities do not include income tax liabilities.

Segment information about these businesses is presented below.

Primary segment information (in thousands of euros):

	Construction		Property and Urban Development		Energy and Industrial		Commercial Services		Adjustments and Other		Total Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Ingresos:												
Revenue-												
External sales	1,106,847	1,207,823	139,133	246,449	87,038	93,577	15,743	13,320	944	(1,223)	1,349,705	1,559,946
Inter-segment sales	48,307	22,710	-	67	4,011	1,018	-	-	(52,318)	(23,796)	-	(1)
	1,155,154	1,230,533	139,133	246,516	91,049	94,595	15,743	13,320	(51,374)	(25,019)	1,349,705	1,559,945
Result:												
Profit (Loss) from operations	35,872	46,053	(80,870)	89,938	(2,443)	1,143	2,221	6,076	36,025	6,368	(9,175)	149,578
Share of results of associates	386	228	(6,387)	3,341	-	171	-	-	(386)	(481)	(6,387)	3,259
Investment income	38,445	21,319	5,420	5,620	2,230	1,010	587	559	(29,044)	(6,595)	17,638	21,913
Finance and similar costs	(32,954)	(17,126)	(63,049)	(23,673)	(5,060)	(3,982)	(474)	(920)	(129)	(25,082)	(101,666)	(70,783)
Profit/(Loss) before tax	41,749	50,474	(144,886)	75,226	(5,273)	(1,658)	2,334	5,715	6,466	(25,790)	(99,592)	103,967

Inter-segment sales are made at market prices.

	Thousands of Euros											
	Construction		Non-current Assets and Property and Urban Development		Energy and Industrial		Commercial Services		Adjustments (*)		Total Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Other disclosures:												
Additions to non-current assets-												
In Spain	867	1,753	2,139	84,728	7,328	2,920	852	76	-	-	11,186	89,477
Abroad	55,024	562	399	40,466	-	-	-	-	-	-	55,423	41,028
	55,891	2,315	2,538	125,194	7,328	2,920	852	76	-	-	66,609	130,505
Depreciation and amortisation charge	4,026	3,473	9,365	8,467	1,264	1,294	466	(325)	(51)	1,388	15,070	14,297
Balance sheet												
Assets-												
Segment assets-												
In Spain	1,089,406	861,833	1,886,891	1,236,165	117,634	112,993	9,594	17,478	(434,056)	582,380	2,669,469	3,130,510
Abroad	173,478	169,720	309,146	149,941	-	-	-	-	-	-	482,624	319,661
	1,262,884	1,031,554	2,196,037	1,386,107	117,634	112,993	9,594	17,478	(434,056)	582,380	3,152,093	3,130,510
Liabilities-												
Segment liabilities	1,079,191	870,906	1,794,381	960,718	103,582	94,835	2,779	7,778	172,160	1,196,274	3,152,093	3,130,510

There are no significant non-operating assets.

Secondary segment reporting

The breakdown of certain of the Group's consolidated balances based on the geographical location of the companies that gave rise to them is as follows:

	Thousands of Euros					
	Income		Total Assets		Additions to Property, Plant and Equipment and Investment Property	
	2008	2007	2008	2007	2008	2007
Spain	1,156,484	1,367,137	2,671,529	2,188,999	11,186	4,750
Portugal	18,356	136,119	173,364	182,643	411	5,540
United States	172	369	7,338	10,807	-	5
Argentina	219,657	30,488	256,563	107,561	54,383	382
Uruguay	(4)	-	153	-	-	-
Peru	14,643	29,806	12,281	34,550	531	65
Panama	(155)	802	1,315	2,769	-	-
France	219	-	17,231	-	-	-
Germany	-	-	-	-	-	-
Dominican Republic	-	19,840	789	11,041	-	-
Other	9,916	11,391	13,591	9,703	98	16,312

7. Property, plant and equipment

The changes in 2008 and 2007 in "Property, Plant and Equipment" in the consolidated balance sheet were as follows:

	Thousands of Euros					
	Land and Buildings	Plant and Machinery	Other Fixtures, Tools and Furniture	Other Items of Property Plant and Equipment	Property, Plant and Equipment in the Course of Construction	Total
Cost:						
Balances at 1 January 2006	76,412	29,785	22,368	9,182	278	138,025
Additions/Disposals (net) due to change in the scope of consolidation	-	93	5	35	5	138
Additions	3,050	410	1,575	7,483	440	12,958
Disposals	(1,433)	(159)	(329)	(398)	-	(2,319)
Exchange differences (net)	(5,819)	(1,493)	(1,077)	(43)	(15)	(8,447)
Transfers and other	771	(25)	198	(727)	(141)	76
Balances at 31 December 2006	72,981	28,611	22,740	15,532	567	140,431
Additions/Disposals (net) due to change in the scope of consolidation	48,363	1,925	839	928	-	52,055
Additions	37,799	492	1,998	671	2,470	43,430
Disposals	(8,169)	(2,809)	(171)	(87)	(15)	(11,251)
Exchange differences (net)	(78)	(17)	(60)	(33)	-	(188)
Transfers and other	39,785	(336)	412	(318)	191	39,734
Balances at 31 December 2007	190,681	27,866	25,758	16,693	3,213	264,211
Accumulated depreciation:						
Balances at 1 January 2006	(20,081)	(13,290)	(18,353)	(4,310)	-	(56,034)
Additions/Disposals (net) due to change in the scope of consolidation	-	(49)	(7)	3	-	(53)
Exchange differences	1,622	1,380	1,316	31	-	4,349
Charge for the year	(974)	(2,238)	(1,597)	(1,371)	-	(6,180)
Transfers	-	(3)	(48)	(9)	-	(60)
Disposals	21	564	623	287	-	1,495
Balances at 31 December 2006	(19,412)	(13,636)	(18,066)	(5,369)	-	(56,483)
Additions/Disposals (net) due to change in the scope of consolidation	(247)	(615)	(589)	(798)	-	(2,249)
Exchange differences	12	13	24	50	-	99
Charge for the year	(1,527)	(1,837)	(1,985)	(2,690)	-	
Transfers and other	(819)	202	(199)	(10)	-	(826)
Disposals	130	28	25	526	-	709
Balances at 31 December 2007	(21,863)	(15,845)	(20,790)	(8,291)	-	(66,789)
Impairment losses:						
At 31 December 2007	(22,617)	-	-	(47)	-	(22,664)
Total property, plant and equipment, net	146,201	12,021	4,968	8,355	3,213	174,758

	Thousands of Euros					
	Land and Buildings	Plant and Machinery	Other Fixtures, Tools and Furniture	Other Items of Property Plant and Equipment	Property, Plant and Equipment in the Course of Construction	Total
Cost:						
Balances at 1 January 2008	190,681	27,866	25,758	16,693	3,213	264,211
Additions due to changes in the scope of consolidation	54,642	173	283	259	6,781	62,138
Disposals due to change in the scope of consolidation	(2,779)	-	-	-	-	(2,779)
Additions	550	1,202	1,519	395	17	3,683
Disposals	-	(580)	(885)	(886)	(12)	(2,363)
Exchange differences (net)	-	(129)	(40)	(8)	(5)	(182)
Transfers and other	(162,851)	(10,181)	(2,557)	3,707	(3,092)	(174,974)
Balances at 31 December 2008	80,243	18,351	24,078	20,160	6,902	149,734
Accumulated depreciation:						
Balances at 1 January 2008	(21,863)	(15,845)	(20,790)	(8,291)	-	(66,789)
Additions/Disposals (net) due to change in the scope of consolidation	(18)	-	-	(321)	-	(339)
Charge for the year	(579)	(2,221)	(1,319)	(2,375)	-	(6,494)
Disposals	-	650	778	728	-	2,156
Exchange differences	-	3	2	36	-	41
Transfers and other	18,335	5,916	10,327	(4,023)	-	30,555
Balances at 31 December 2008	(4,125)	(11,497)	(11,002)	(14,246)	-	(40,870)
Impairment losses:						
At 31 December 2007	(22,617)	-	-	-	-	(22,617)
Transfers	22,085	-	-	-	-	22,085
Additions (Note 22.9)	(244)	-	-	-	-	(244)
Balances at 31 December 2008	(776)	-	-	-	-	(776)
Total property, plant and equipment, net	75,342	6,854	13,076	5,914	6,902	108,088

"Additions / Disposals (Net) Due to Change in the Scope of Consolidation" includes mainly:

• Additions of EUR 54 million in connection with the change in the consolidation method used for Carlos Casado, of which EUR 43 million relate to the allocation of the excess amount paid in the acquisition of Carlos Casado (see Note 2.4).

• Additions of EUR 6.7 million to property, plant and equipment in the course of construction due to the inclusion of Poligeneració Parc de L'Alba ST-4, S.A. in the scope of consolidation (see Note 2.4).

Transfers in 2008 basically include:

• EUR 96 million to "Investment Property", mainly in relation to the shopping centres of Argentimo (EUR 11 million) and the reallocation of the excess amounts paid in the takeover of Parquesol (EUR 85 million) (see Note 9).

• EUR 20 million to "Inventories" in connection with the reallocation of excess amounts relating to Parquesol (see Note 9).

The net balance at 31 December 2008 included in the table above includes the following items:

1. EUR 57 million relating to net property, plant and equipment owned by the Group companies and branches located abroad. This amount relates primarily to the companies detailed in Note 4.14.

2. EUR 7,821 thousand relating to net property, plant and equipment held by the consolidated companies under finance leases.

The detail of these assets at 31 December 2008 is as follows:

	Thousands of Euros
Lease term (years)	10
Cash value	7,821
Outstanding payments (Note 16.1):	
Non-current maturities	6,666
Current maturity	1,155

The Company held the following assets under finance leases at 31 December 2008 and 2007:

1. Thermal power installation at Puerto Real Hospital. The lease term commenced on 20 December 2005 for a period of 114 months. The nominal amount of the purchase option is EUR 65,942. In addition, the rent paid in 2008 and 2007 amounted to EUR 867,015 and EUR 843,654, respectively, which included a finance charge of EUR 283,565 and EUR 272,902, respectively.

2. Fossil-fuel plant for Torrecárdenas Hospital. The lease term commenced on 22 May 2008 for a period of ten years. The nominal amount of the purchase is EUR 32,794. The rent paid in 2008 amounted to EUR 162,115, which included a finance charge of EUR 157,649.

3. Other more minor amounts corresponding to machinery.

At 31 December 2008, the cost of the land upon which property for own use is located amounted to approximately EUR 57 million.

Property, plant and equipment for own use with a gross value of approximately EUR 15,835 thousand had been fully depreciated at 31 December 2008.

The Group companies take out the insurance policies they consider necessary to cover the possible risks to which their property, plant and equipment are subject.

At 31 December 2008, there were no significant items of property, plant and equipment subject to restrictions on title or pledged as security for liabilities.

8. Investment property and property developments in progress

Investment property

The balance of "Investment Property" arose mainly from the inclusion in the Group of the Parquesol Group in 2007 and of the property assets of the San José Desarrollos Inmobiliarios, S.A. subgroup (formerly Inmobiliaria Udra, S.A.). The detail of "Investment Property" and of the changes therein in 2008 and 2007 is as follows:

	Thousands of Euros		
	Cost	Accumulated Depreciation	Net
Balance at 31 December 2006	-	-	-
Changes in the scope of consolidation			
Additions	357,940	(15,897)	342,043
Depreciation charge	-	(6,188)	(6,188)
Disposals	(2,845)	160	(2,685)
Transfers from "Investment Property in Progress"	10,937	-	10,937
Transfers to "Inventories"	(141)	-	(141)
Transfers from "Property, Plant and Equipment"	17,020	(2,628)	14,392
Total changes in the scope of consolidation	382,911	(24,553)	358,358
Additions	35,020	-	35,020
Transfers and other	-	(4,254)	(4,254)
Impairment losses	(7,069)	-	(7,069)
Balance at 31 December 2007	410,862	(28,807)	382,055

	Thousands of Euross			
	Cost	Accumulated Depreciation	Impairment Losses	Neto
Balance at 31 December 2007	417,931	(28,807)	(7,069)	382,055
Additions	788	(8,246)	(3,000)	(10,458)
Disposals	(37,683)	908	160	(36,615)
Translation differences	(588)	390	(349)	(547)
Transfers and others (Note 7)	102,349	(3,602)	4,051	102,798
Balance at 31 December 2008	482,797	(39,357)	(6,207)	437,233

The cost of the investment property at 31 December 2008 and 2007 includes approximately EUR 268 million and EUR 189 million, respectively, relating to the carrying amount of the land relating thereto.

Also, the advance of EUR 1,800 thousand effectively paid by the Group company Edificio Avda. da Liberdade, nº35, Invest. Inmobiliarios, S.A. for the acquisition of a property in Lisbon, Portugal, on which it is planned to build a property for lease was capitalised to "Investment Property" at 31 December 2008. According to the private purchase agreement entered into, the acquisition price of this property is EUR 13,000 thousand.

Main additions and disposals in 2008 and 2007

In 2008 and 2007 the Group sold certain non-strategic investment property items for a total price of EUR 19,220 thousand and EUR 5,232 thousand, respectively, giving rise to gains of EUR 8,717 thousand and EUR 2,389 thousand, respectively, which are recognised under "Gains on Disposal of Investment Property" in the accompanying consolidated income statements.

Also, disposals of EUR 20 million relate to the derecognition of the excess amount paid for these assets when control over Parquesol was obtained (see Note 9).

Use or nature of the investment property

Substantially all of the Group's investment property relates to properties earmarked for lease. The detail of the use or nature of the Group's investment property at 31 December 2008 and 2007, based on its principal use and on an approximate basis (excluding garage space), is as follows:

Use of Property	2008		2007	
	Area for Lease in m2	Percentage	Area for Lease in m2	Percentage
Offices	95,415	47%	91,764	56%
Commercial premises	76,029	37%	40,751	25%
Industrial buildings	32,209	16%	30,725	19%
	203,653	100%	163,240	100

Mortgaged investment property

At 31 December 2008 and 2007, certain investment property with a carrying amount of approximately EUR 138,327 thousand and EUR 139,000 thousand, respectively, had been mortgaged as security for the repayment of several bank loans (see Note 16).

Fair value of the investment property

Each year the Group commissions studies from independent valuers to determine the fair values of its investment property at the balance sheet date. At 31 December 2008 and 2007, these studies were conducted by Savills España, S.A. and Jones Lang LaSalle, and the 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.

As a result of the current situation of the residential market, the fair values of certain of the Group's investment property items fell in 2008. Consequently, a net impairment loss of EUR 2,840 thousand was recognised with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated income statement for 2008 in order to reduce the carrying amount of certain properties to their estimated realisable value, determined on the basis of the aforementioned appraisals (see Note 22.9).

At 31 December 2008 and 2007, the fair value of the Group's investment property based on the aforementioned studies amounted to approximately EUR 601 million and EUR 594 million, respectively, including the "Investment Property in Progress" accounts.

Investment property rental income and expenses

At 31 December 2008, four hotels, one residential home for the elderly and a significant proportion of the Group's commercial premises and office buildings had been leased out to third parties under operating leases (specifically, the occupancy rate of the principal buildings was approximately 93% at 31 December 2008 (31 December 2007: 92%)).

The detail, by maturity, of the lease payments payable to the Group under the operating leases and subleases contracted for by the Group with third parties at 31 December 2008 and 2007 is as follows:

Period	Thousands of Euros	
	2008	2007
Within one year	22,249	21,573
Between one and five years	54,089	76,562
After five years	36,708	68,131
	113,046	166,266

The calculation was made taking into account the drop in rental income on the first day of each year and without taking into account increases in the CPI. Also, in the case of the variable rentals, the values for 2008 were used.

Insurance policy

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.

Property developments in progress

The changes in 2008 and 2007 in "Property Developments in Progress" in the consolidated balance sheet were as follows:

	Thousands of Euros
Balance at 31 December 2006	31,893
Additions	4,010
Transfers to "Inventories"	(1,680)
Transfers to "Investment Property" (Note 7)	(10,937)
Balance at 31 December 2007	23,286
Additions	4,721
Balance at 31 December 2008	28,007

The balance of "Property Developments in Progress" at 31 December 2008 and 2007 relates to the costs incurred in the acquisition of buildable plots (approximately EUR 16 million and EUR 18 million, respectively) and in the construction thereon of buildings for lease which at those dates were under construction. The most significant data relating to this property are as follows:

	Thousands of Euros	
Project	2008	2007
Aparthotel in Pozuelo de Alarcón (Madrid)	13,931	12,529
Hotel in Málaga	14,076	10,757
	28,007	23,286

The buildings in progress at 31 December 2008 which are to be leased are expected to be completed in 2009.

Also, "Inventories" includes two shopping centres under construction in Seville and Algeciras, for which the net cost attributable to the Group totalled EUR 19 million and EUR 75 million, respectively, at 31 December 2008.

9. Goodwill

9.1 Breakdown and significant changes

The detail of "Goodwill" in the consolidated balance sheets, based on the companies giving rise to the various items, is as follows:

	Thousands of Euros	
	2008	2007
Parquesol Inmobiliaria y Proyectos S.A.	-	44,145
Sanjose Tecnologías subgroup	738	738
Cartuja Inmobiliaria, S.A.U.	600	600
San José Perú (Note 2.4)	1,601	-
San José Infraestructuras y Servicios subgroup	238	238
Esparq Constructora, S.A.	252	252
Espinosa Arquitectos, S.A.	1,136	1,136
Grupo Empresarial San José, S.A.	6,770	6,770
San José Desarrollos Inmobiliarios subgroup (Douro Atlántico, S.A.)	2,987	2,987
Corsabe, S.C.R., S.A. (Note 2.4)	-	3,231
Other	1,114	453
Total, gross	15,436	60,550
Less - Accumulated impairment losses	-	-
Total, net	15,436	60,550

Based on the estimates and projections available to Group management, the projected income of these companies attributable to the Group adequately supports the carrying amount of the recognised goodwill allocated to the related cash-generating units.

The valuation of the assets and liabilities of the Parquesol Group required to calculate the related goodwill as a result of the transactions performed in 2007 was initiated in 2007. After this allocation, the goodwill amounted to EUR 44,145 thousand. The excess amount paid in taking control of these companies was allocated mainly to the property assets contributed by the Parquesol Group. The detail of the excess amounts allocated in the aforementioned acquisitions is as follows:

	Thousands of Euros
	Parquesol Group
Acquisition price	475,508
Underlying carrying amount	134,792
Net excess amount	340,716
Fair value of the assets and liabilities	
Non-current assets	101,262
Current assets	498,712
Deferred tax	(110,711)
Net asset revaluation	489,263
Portion attributable to minority interests	(179,211)
Goodwill	30,664

Also, in December 2007 Grupo Empresarial San José, S.A. acquired a further ownership interest of 2.30% in Parquesol and this transaction gave rise to unallocated goodwill of EUR 13,481 thousand.

Under IFRS 3 "Business Combinations", the fair values of the acquired assets may be reviewed up to one year after the purchase date. The Udra Group made another allocation of the excess amount paid in the takeover of Parquesol Inmobiliaria y Proyectos, S.A. in 2007 based on the best information of the assets and liabilities acquired in the aforementioned business combination, as follows:

	Thousands of Euros
	Parquesol Group
Acquisition price	475,508
Underlying carrying amount	134,792
Net excess amount	340,716
Fair value of the assets and liabilities	
Non-current assets	80,289
Current assets	591,882
Deferred tax	(99,611)
Net asset revaluation	572,560
Portion attributable to minority interests	(231,844)
Goodwill	-

El impacto de dicha modificación sobre las cuentas anuales consolidadas del Grupo del 2007 no es relevante.

The impact of this change on the Group's consolidated financial statements for 2007 is not material.

The changes (gross amounts) in 2008 in "Goodwill" in the consolidated balance sheet were as follows:

	Thousands of Euros	
	2008	2007
Beginning balance	60,550	17,626
Additions	1,601	44,145
Disposals	(3,231)	-
Definitive allocation of excess amounts relating to Parquesol	(44,145)	(1,560)
Other	661	339
Ending balance	15,436	60,550

The additions and disposals in 2008 relate mainly to the purchase of 25% of the ownership interest in San José Perú, S.A. and the reduction of the ownership interest in Corsabe, respectively (see Note 2.4).

10. Other intangible assets

"Other Intangible Assets" includes the Group's concessions and licences. The detail of "Other Intangible Assets" in the consolidated balance sheets at 31 December 2007 and 2008 and of the changes therein is as follows:

	Thousands of Euros
Cost:	
Balances at 1 January 2007	330
Additions/Disposals (net) due to change in the scope of consolidation	257
Additions	325
Disposals	-
Transfers and other	20
Balances at 31 December 2007	932
Accumulated amortisation:	
Balances at 1 January 2007	(57)
Additions/Disposals (net) due to change in the scope of consolidation	-
Charge for the year	(69)
Disposals	-
Transfers	-
Balances at 31 December 2007	(126)
Impairment losses-	
At 31 December 2007	-
Intangible assets, net	806

	Thousands of Euros
Cost:	932
Balances at 1 January 2008	-
Additions/Disposals (net) due to change in the scope of consolidation	3,425
Additions	462
Disposals	(12)
Transfers and other	(1,129)
Balances at 31 December 2008	3,678
Accumulated amortisation:	(126)
Balances at 1 January 2008	-
Additions/Disposals (net) due to change in the scope of consolidation	(2,061)
Charge for the year	(330)
Disposals	11
Transfers	567
Balances at 31 December 2008	(1,939)
Impairment losses-	-
At 31 December 2008	-
Intangible assets, net	1,739

No impairment losses have been recognised.

At 31 December 2008, there were no intangible assets developed internally by the Group or intangible assets with an indefinite useful life.

11. Investments accounted for using the equity method

The Group's most significant investments in associates at 31 December 2008 were as follows:

	Thousands of Euros	
	2008	2007
Carlos Casado, S.A.	-	23,263
Desarrollo Urbanístico Chamartín, S.A.	11,122	19,510
Panamerican Mall, S.A.	16,729	10,818
Pontegrán, S.L.	8,278	15,453
Antigua Rehabitalia, S.A.	-	521
Zonagest, S.L.	966	1,016
Nuevo Parque de Bomberos, S.A.	537	537
Corsabe	6,666	-
Parquesol Group companies	520	
Other	205	930
Impairment losses	-	-
Total, net	45,023	72,048

At 31 December 2008, the ownership interest in Zonagest S.L. included goodwill of EUR 844 thousand. This goodwill is allocable to unrealised gains on the property assets owned by the company, which were appraised as indicated in Note 12.

The gross changes in 2008 in this heading in the consolidated balance sheet were as follows:

	Thousands of Euros
Beginning balance	72,048
Profit for the year	151
Change in consolidation method: C. Casado (Note 2.4)	(23,263)
Change in consolidation method: Corsabe (Note 2.4)	6,666
Capital payments payable	(8,264)
Dividends	(7,237)
Panamerican Mall capital increase (Note 2.4)	5,911
Other	(989)
Ending balance	45,023

"Result of Companies Accounted for Using the Equity Method" includes the recognition of an additional impairment loss of EUR 6,538 thousand for Antigua Rehabilitalia due to the decline in value of its assets, based on the appraisals of independent valuers (see Note 12).

The dividends relate to those recognised in 2008 by San José Desarrollos Inmobiliarios, S.A. from its investment in Pontegrán, S.A.

Appendix II lists the main investments in associates, including the name, country of incorporation and the Group's percentage of ownership.

These companies had total assets of EUR 376 million and liabilities of EUR 264 million at 31 December 2008 and obtained revenue of EUR 13 million in 2008.

12. Inventories

The breakdown of the balance of "Inventories" in the accompanying consolidated balance sheets at 31 December 2008 and 2007 is as follows:

	Thousands of Euros	
	2008	2007
Buildable plots of land	914,251	734,560
Raw materials and other supplies	7,732	7,014
Property developments in progress	419,152	329,457
Long-cycle developments in progress	218,466	258,198
Short-cycle developments in progress	200,686	71,259
Completed construction work	148,998	185,248
Advances to suppliers	27,860	38,028
Other	271	1,603
Write-downs	(66,377)	(3,249)
	1,451,887	1,292,661

Land

In 2008 the Group acquired a buildable plot in Molina de Segura (Murcia), one in Quer (Guadalajara) and another in Lisbon (Portugal) for a total of approximately EUR 68 million. Memorandums of understanding and agreements with purchase options had been entered into for the latter two plots in prior years, and advances had been paid for purchase thereof.

At 31 December 2008, the Group owned inventories amounting to EUR 572,839 thousand that had been mortgaged as security for mortgage loans or developer loans granted by banks totalling EUR 339,404 thousand (see Note 16.1).

Land purchase commitments

At 31 December 2008, the Group had entered into various memorandums of understanding or agreements with purchase options for land totalling approximately EUR 127,613 thousand, of which the Group had paid EUR 27,197 thousand at that date. The latter amount was recognised under "Advances to Suppliers" in the accompanying consolidated balance sheet at 31 December 2008. All these agreements were entered into in prior years. Specifically, in 2007 agreements were entered into relating to the purchase of various properties in Sant Just Desvern (Barcelona) in the municipality of Los Barrios (Cádiz), and in Madrid, and the other purchase agreements or memorandums of understanding relating to the land were entered into in prior years.

The valuation of the assets referred to in the above-mentioned agreements exceeds the total cost of the purchase, when it is made.

Commitments to sell property developments in progress and completed buildings

At 31 December 2008, 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 135,041 thousand, for which the Group had received advances from the related customers totalling EUR 10,276 thousand at 2008 year-end (see Note 18.3).

At 2008 year-end, the Group owned 2,846,417 m2 of land, of which approximately 2,713,116 m2 was buildable. The detail, by location, of the Group's land is as follows:

	Thousands of Euros
Spain	846,070
US	6,920
Dominican Republic	400
Portugal	31,423
Argentina	14,074
Peru	15,364
	914,251

Inventories subject to litigation

At 31 December 2008 and 2007, "Inventories" included EUR 7,936 thousand in relation to the cost of a buildable plot located in calle Jacinto Benavente, Marbella, Málaga.

Local associations have filed legal claims in relation to this buildable plot. The effects of the construction permit granted by Marbella Municipal Council to the Group company Lardea, S.L. had been suspended and the construction work performed by the company on the above plot was halted.

Neither Lardea, S.L. nor its legal representatives have been charged with any offence, are appearing in the proceeding as an aggrieved party and have filed a claim for property damage liability against Marbella Municipal Council. At the date of these financial statements, these court proceedings were still in progress.

As a result of the foregoing, at 31 December 2007 the investee recognised a provision of EUR 3,510 thousand. However, on the basis of the positive appraisal reports at 2008 year-end, the Company reversed the provision in full with a credit to "Impairment of Goods Held for Resale, Raw Materials and Other Supplies" in the accompanying consolidated income statement for 2008. The Parent's management and directors consider that under no circumstances will the outcome of the court proceedings in progress result in material losses for the Group.

Realisation of inventories

Based on cost and income estimates at 2008 year-end, the directors of the Parent expect all the property developments completed or in progress at 31 December 2008 and the land and buildable plots (through property developments or the direct sale) to give rise to a profit.

In this regard, each year the Group commissions studies from independent valuers to determine the fair values of its inventories at the balance sheet date. At 31 December 2008, these studies were conducted by Savills España, S.A. and Jones Lang LaSalle España, S.A., and the valuations were performed on the basis of the definition of 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 Residual Method was used to calculate the fair value. Under this method, the residual value of the property in question is obtained by discounting the cash flows calculated on the basis of projected expenses and income at the rate established, 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 to thus 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, the construction period and the investment required) to the risk-free interest rate. When the determination of the cash flows takes into account borrowings, the aforementioned risk premium must be increased in proportion to the percentage of the borrowings (degree of leverage) attributed to the project and the habitual interest rates in the mortgage market.

At 31 December 2008, the fair value of the Group's inventories based on the aforementioned studies amounted to approximately EUR 1,903 million (31 December 2007: EUR 1,981 million), far in excess of the carrying amount thereof.

However, the situation of the residential market in 2008 gave rise to differences between the fair value of the Group's inventories and the effective realisable value thereof. Consequently, an impairment loss of EUR 57,211 thousand was recognised with a charge to "Impairment Losses on Property Inventories" in the accompanying consolidated income statement for 2008, in order to adjust the carrying amount of certain land to its estimated realisable value, determined on the basis of the appraisals conducted by Savills España, S.A. and Jones Lang LaSalle España, S.A.

Insurance policy

The Group takes out insurance policies to cover the possible risks to which substantially all its inventories are subject. The Parent's directors consider that the insurance coverage arranged is sufficient.

13. Financial assets

13.1 Trade and other receivables

"Trade and Other Receivables" in the accompanying consolidated balance sheet includes the present value of uncollected revenue, measured as indicated in Note 4.8, contributed by the Group's various lines of business and which form the basis of the profit or loss from operations.

The detail of "Trade Receivables for Sales and Services" at 31 December 2008 and 2007 is as follows:

	Thousands of Euros	
	2008	2007
Trade receivables from real estate customers	-	11,881
Total non-current	-	11,881
Progress billings receivable and trade receivables for sales	574,375	551,886
Amounts to be billed for work performed	122,249	126,020
Retentions	36,398	46,655
Trade receivables from real estate customers	20,944	14,116
Impairment losses	(22,069)	(16,921)
Total current	731,897	721,756
Advances (Note 18)	(76,966)	(114,063)
Total net accounts receivable	654,931	607,693

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

"Amounts to Be Billed for Work Performed" includes the work performed during the year but not yet billed to customers, which is recognised as period revenue in accordance with the method of recognition of revenue for completed construction work, based on the percentage of completion method used by the Group (see Note 4.12).

The balance of "Trade Receivables from Real Estate Customers" at 31 December 2008 relates to both trade receivables for the sale of buildings (documented in notes and bills) and to lease receivables. The non-current balance related to a trade note receivable for the deferral of the collection of a portion of the selling price of a buildable plot, which matures in 2009. The amount deferred earns annual interest at a market rate.

The Group companies sell trade receivables to banks, without the possibility of recourse against them in the event of default. The receivables sold at year-end, which were deducted from the balance of accounts receivable, totalled EUR 38,826 thousand. These transactions bear interest at normal market rates. The Group companies continue to manage collection. Also, future collection rights arising from construction project contracts awarded under the "total price payment" system were sold for EUR 17,934 thousand. This amount was deducted from the balance of "Amounts to Be Billed for Work Performed".

Substantially all the risks (bad debts and late payment) and rewards associated with the receivables, as well as control over the receivables, were transferred through the sale of the receivables, since no repurchase agreements have been entered into between the Group companies and the banks that have acquired the assets, and the banks may freely dispose of the acquired assets without the Group companies being able to limit this right in any way. Consequently, the balances receivable relating to the receivables sold under the aforementioned conditions were derecognised.

The Group does not have a significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The distribution, by public and private sector, of the accounts receivable is as follows:

	Thousands of Euros
Public-sector customers	411,894
Private-sector customers	320,003
	731,897

The average collection period for the trade receivables is approximately 185 days.

13.2 Cash and cash equivalents

"Cash and Cash Equivalents" includes the Group's cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. There are no restrictions on the availability of these balances.

The detail of these balances at 31 December 2008 and 2007 is as follows:

	Thousands of Euros	
	2008	2007
Cash equivalents	44,854	31,361
Cash on hand	454	246
Cash at banks	98,483	74,601
Total cash and cash equivalents	143,791	106,208

13.3 Other current financial assets

"Other Current Financial Assets" includes deposits at banks, short-term deposits and other receivables maturing in over three months. At 31 December 2007, "Other Current Financial Assets" included the account receivable from Lábaro Grupo Inmobiliario, S.A. for the sale of Parquesol shares (see Note 2.4).

13.4 Non-current financial assets

The detail of "Loans to Related Companies" and "Other Financial Assets" in the accompanying consolidated balance sheet at 31 December 2008 and of the changes therein in 2008 were as follows:

	Thousands of Euros				
	Available-for-Sale Financial Assets	Loans and Other Receivables	Other Investments	Impairment Losses	Total
Balance at 1 January 2007	11,510	11,830	7,694	(938)	30,096
Additions or charge for the year	-	4,643	1,744	-	6,387
Disposals or reductions	(1,342)	-	(7,697)	12	(9,027)
Valuation adjustment	-	-	-	-	-
Changes in the scope of consolidation	(2,464)	-	-	(48)	(2,512)
Balance at 31 December 2007	7,704	16,473	1,741	(974)	24,944
Additions or charge for the year	-	-	6,273	-	6,273
Disposals or reductions	(715)	(1,598)	-	-	(2,313)
Valuation adjustment	-	-	-	-	-
Changes in the scope of consolidation	(1,032)	-	-	-	(1,032)
Balance at 31 December 2008	5,957	14,875	8,014	(974)	27,872

13.4.1 Available-for-sale financial assets

The financial assets presented above basically represent investments in equity securities of unlisted entities. These ownership interests are stated at the underlying carrying amount. The detail of these investments is as follows:

	Thousands of Euros	
	31/12/2008	31/12/2007
Dycasa, S.A.	141	2,186
Bodegas Altanza, S.A.	1,226	1,226
Udra México, S.A. de C.V.	-	1,032
Unirisco SCR, S.A.	469	469
Renfapex 2000, S.A.	108	108
Filmanova	152	152
Editorial Ecoprensa	2,168	2,168
Parquesol subgroup	1,259	-
Other	434	363
	5,957	7,704

13.4.2 Loans and receivables

"Loans and Receivables" includes mainly participating loans granted to the associate Antigua Rehabitalia, S.A., which do not earn interest income because, being participating loans, they are linked to the profit obtained by the associate.

14. Equity

14.1 Share capital

At 31 December 2008, the Parent's share capital was represented by 218,640 fully subscribed and paid registered shares of EUR 6 par value each.

At 31 December 2008, the shareholder structure of the Parent was as follows:

	Number of Shares	Percentage of Ownership
Jacinto Rey González	77,450	35,42%
Pinos Altos XR, S.L.	53,139	24,30%
Udra Valor, S.A.	23,567	10,77%
Other	64,484	29,51%
	218,640	100%

The shares of the Parent are not listed on the stock exchange.

14.2 Share Premium

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

14.3 Legal reserve

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

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 31 December 2008, this reserve had reached the stipulated level.

14.4 Restrictions on the distribution of dividends

There are no significant restrictions on the distribution of dividends.

14.5 Consolidated reserves

The breakdown, by company, of the balance of "Consolidated Reserves" in the consolidated balance sheets, after taking into account the effect of consolidation adjustments, is as follows:

Net reserves attributable to subsidiaries:

	Thousands of Euros	
	2008	2007
Udra, S.A.	39,619	31,640
SJB Müllroser	(2,410)	2,466
GESJ subgroup	153,853	111,520
Comercial subgroup	4,229	6,917
Udra Medios, S.A.U.	(24)	1,708
Cadena de Tiendas, S.A.U.	3,714	(279)
Other	1,639	-
	200,620	153,972

Net reserves attributable to companies accounted for using the equity method:

The breakdown, by company, of the balance of this account in the consolidated balance sheets, after taking into account the effect of the valuation adjustments, and of the translation differences recognised in equity as a result of the valuation process, is as follows:¬

	Thousands of Euros					
	2008			2007		
	Reserves	Translation Differences	Profit or Loss	Reserves	Translation Differences	Profit or Loss
Desarrollo Urbanístico Chamartín, S.A.	(736)	-	(123)	(391)	-	(345)
Pontegrán, S.L.	15,640	-	63	12,588	-	3,052
Nuevo Parque de Bomberos, S.A.	(87)	-	-	-	-	(87)
Antigua Rehabitalia, S.A.	41	-	(10)	51	-	(10)
Corsabe, S.A.	-	-	386	-	-	-
Carlos Casado, S.A.	-	-	-	-	-	316
Other	368	-	(39)	850	-	333
	15,226	-	277	13,098	-	3,259

14.6 Valuation adjustments

"Valuation Adjustments" in the consolidated balance sheets includes the net amount of the changes in the fair value of certain derivative instruments (see Notes 4.9, 4.11 and 17) due to the application of IASs 32 and 39.

14.7 Shares of the Parent

At 31 December 2008, the Group did not hold any treasury shares and had not carried out any transactions involving treasury shares.

14.8 Minority interests

The detail, by consolidated company, of "Minority Interests" and "Profit (Loss) Attributable to Minority Interests" is as follows:

	Thousands of Euros	
	Minority Interests	Profit (Loss) Attributable to Minority Interests
Parquesol subgroup	204,153	(21,214)
San José Infraestructuras y Servicios subgroup	644	(39)
San José Desarrollos Inmobiliarios, S.A.	5,644	(4,704)
Constructora San Jose, S.A.U.	313	52
Galician Cultural Development	743	-
Constructora Panameña Aeropuertos	55	1
Constructora Udra	446	23
San Jose Bau	20	-
San José Argentina	191	80
Tecnoartel Argentina, S.A.	18,157	1,544
USA subgroup	1,425	5
Grupo Empresarial San José, S.A.	64,291	-
Other	475	983
	296 ,557	(23,269)

The changes in "Minority Interests" in 2008 are summarised as follows:

	Thousands of Euros	
	2008	2007
Beginning balance	370,824	83,338
Changes in the scope of consolidation (Note 2.4)	(59,719)	274,383
Profit (Loss) for the year	(23,269)	22,848
Translation differences	(946)	-
Adjustments to equity	(8,252)	-
Other changes	(5,352)	(9,745)
Ending balance	273,286	370,824

14.9 Capital management

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital while maintaining a solid financial position. This policy reconciles the creation of value for the shareholder with access to financial markets at a competitive cost in order to cover both debt refinancing requirements and investment plan financing needs not covered by the funds generated by the business.

The directors of the Parent consider that evidence of fulfilment of the capital management targets set is provided by the fact that the gearing ratio does not exceed 350%, taken to be the result of dividing net financial debt by equity.

At 31 December 2008 and 2007, the Group was achieving this parameter, as shown below:

	Gearing Ratio	
	Thousands of Euros	
	2008	2007
Net financial debt:		
Non-current financial debt - (Note 16)	841,072	978,755
Current financial debt (Note 16)	871,373	440,041
Cash and cash equivalents (Note 13.2)	(143,791)	(106,208)
	1,712,445	1,312,588
Equity	435,232	573,244
Gearing (percentage)	393%	229%

For the purposes of the aforementioned parameter, the negative effect of the total expense of EUR 66,286 thousand in 2008 arising from the impairment of property assets recognised by the Group is excluded. Taking this adjustment into account, the gearing ratio stands at 341%.

15. Long-term provisions

The changes in 2008 in "Long-Term Provisions" in the consolidated balance sheet were as follows:

	Thousands of Euros
Balance at 1 January 2007	8,287
Charge for the year	6
Amounts used	(397)
Changes in exchange rates	(25)
Changes in the scope of consolidation	2,168
Reclassifications and other	3,043
Balance at 31 December 2007	13,082
Charge for the year	7,758
Amounts used	(1,087)
Changes in exchange rates	-
Changes in the scope of consolidation	446
Reclassifications and other	(3,283)
Balance at 31 December 2008	16,916

The main charges in 2008 relate to the provision of EUR 6,428 thousand recognised by the Group company Udra Mar Inmobiliaria, S.L.U. to cover possible risks arising from its investment in the associate Antigua Rehabilitalia, S.A. due to the possible decline in value of its property assets.

Also, at 31 December 2008, "Long-Term Provisions" includes the provisions for urban development work recognised by the Group's property development companies (see Note 4.17.1) and the balance of the provisions for litigation.

The Parent's directors consider that there are no significant litigation or contingencies the likelihood of which warrants the recognition of a provision other than that already recognised. The directors of the various companies composing the Udra Group consider that the provisions recognised are sufficient to cover any final settlements that might arise from the outcome of the litigation in process. If the outcome of the court proceedings gave rise to an amount exceeding the total provisioned, the directors do not consider that the additional liabilities would have a material effect on the Group's consolidated financial statements.

16. Bank borrowings and debt instruments and other marketable securities

16.1 Bank borrowings and other financial liabilities

The breakdown of non-current and current bank borrowings and other financial liabilities in the consolidated balance sheets is as follows:

	Thousands of Euros	
	31/12/2008	31/12/2007
Non-current:		
Obligations under finance leases (Note 7)	6,666	5,584
Bank loans and credit facilities	108,171	233,101
Syndicated credit facility	704,545	740,070
Other financial liabilities	21,690	-
Total non-current	841,072	978,755
Current:		
Obligations under finance leases (Note 7)	1,155	860
Payables in relation to discounted notes and bills	127,150	18,793
Bank loans and credit facilities	366,226	261,539
Mortgage loans secured by inventories (Note 12)	339,404	132,308
Syndicated credit facility	27,278	26,541
Other financial liabilities	10,160	-
Total current	871,373	440,041
Classification by maturity of loans and credit facilities (excluding other financial liabilities):		
Current	757,931	439,578
Non-current-		
2010	126,259	96,967
2011	85,473	95,879
2012	100,210	72,357
After five years	610,722	713,552
	922,664	978,755

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

"Non-Current Liabilities - Other Financial Liabilities" and "Current Liabilities - Other Financial Liabilities" include mainly EUR 4,701 thousand and EUR 10,107 thousand in relation to the non-current and current guarantee deposits received, respectively, in connection with the property development business, and EUR 9,561 thousand relating to the non-current account payable for the purchase of property assets. It also includes EUR 2,257 thousand payable for the purchase of shares of San José Perú, S.A.C. (see Note 2.4).

At 31 December 2008, the Group had EUR 199 million of undrawn credit facilities.

16.2 Mortgage loans

Mortgage loans secured by investment property

The Group has been granted certain loans by banks that are secured by mortgages on certain properties owned by the Group recognised under "Investment Property" in the accompanying consolidated balance sheet at 31 December 2008 for a total amount of approximately EUR 114,794 thousand (see Note 8). These loans are repaid in instalments consisting of principal and interest, maturing between 2008 and 2025.

These mortgage loans bear annual floating interest at a market rate, which in 2008 ranged from 6.13% to 7.30%.

Mortgage loans secured by inventories

As indicated in Note 4.19, all the bank borrowings associated with "Inventories" are presented in the consolidated balance sheet under "Current Liabilities". The detail, by effective maturity, of the mortgage loans secured by inventories at 31 December 2008 is as follows:

	Thousands of Euros		
	Maturities		
	Current	Non-Current	Total
Mortgage loans secured by property developments in progress (a):			
Of the Parent	-	-	-
Of subsidiaries	108,381	66,014	174,395
Of joint ventures	-	7,331	7,331
	108,381	73,345	181,726
Mortgage loans secured by completed buildings (b):			
Of the Parent	-	-	-
Of subsidiaries	93,476	1,946	95,422
Of joint ventures	16,001	-	16,001
	109,477	1,946	111,423
Mortgage loans secured by land and buildable plots:			
Of the Parent	-	-	-
Of subsidiaries	11,288	5,004	16,292
Of joint ventures	6,913	23,050	29,963
	18,201	28,054	46,255
Total mortgage loans secured by inventories	236,059	103,345	339,404

(a) Relating to the balance drawn down against the developer mortgage loans granted to the Group to finance the construction of its property developments in progress at 31 December 2008 (see Note 12). These loans will be repaid when the properties are delivered to the related buyers, which will be subrogated to the Group's position in the payment obligation. Therefore, the amount drawn down at 31 December 2008 against the loans relating to developments scheduled for completion and delivery in 2009 is presented as maturing at short term in this table.

(b) Since the Parent's directors expect a significant portion of these properties to be sold in 2009, when the buyers will be subrogated to this loan or the loan will be repaid, the outstanding balance at 31 December 2008 is presented in this table as maturing substantially in full at short term.

These mortgage loans bear annual floating interest at a market rate, which in 2008 ranged from 4.23% to 6.24%.

The outstanding principal of these loans at 31 December 2008 matures approximately as follows:

Thousands of Euros				
Maturing in:				
2009	2010	2011	2012	2013 and subsequent years
236,059	76,584	24,989	87	1,685

16.3 Syndicated credit facilities

As a result of the acquisition of control over the Parquesol Group, Grupo Empresarial San José, S.A. and Udramed, S.L. arranged credit facilities with a syndicate of banks led by Barclays Bank, Plc., Surcusal en España. The detail of these facilities is as follows:

1. Syndicated credit facility to the Holdco subgroup (Grupo Empresarial San José, S.A., Constructora San José, S.A. subgroup, San José Tecnologías S.A.U. subgroup and Desarrollos Urbanísticos Udra, S.A.U. subgroup):

The modifying novation of the agreement for the credit facility of EUR 198,406 thousand granted to Grupo Empresarial San José, S.A. was entered into on 3 May 2007. This credit facility has been drawn down in full and EUR 176,543 thousand had not yet been repaid at 31 December 2008. The aforementioned amount is broken down into two tranches:

a. Tranche A: EUR 166,406 thousand, used to contribute to the equity of UDRAMED, S.L.U. Drawn down in full at 31 December 2008. Half-yearly repayments until 2013. The amount payable at 31 December 2008 was EUR 144,543 thousand, of which EUR 16,876 thousand mature in 2009.

The aforementioned amount was contributed to Udramed, S.L.U. by Grupo Empresarial San José, S.A. in the form of a participating loan.

b. Tranche B: EUR 32,000 thousand, used to refinance the existing debt, to meet working capital needs and for the general corporate purposes of Grupo Empresarial San José, S.A. At 31 December 2008, EUR 32,000 thousand had been drawn down. Repayable in full on maturity (2013).

The applicable interest rate is Euribor plus a variable spread based on the net debt/EBITDA ratio, which may range from 0.5% to 0.85%. Interest is paid monthly, quarterly or half-yearly at the choice of Grupo Empresarial San José, S.A.

The loan is jointly and severally guaranteed by certain significant subsidiaries (Constructora San José, S.A., Cartuja Inmobiliaria, S.A. and Tecnocontrol, S.A.).

Grupo Empresarial San José, S.A. may distribute dividends up to certain percentages of net profit (50% if the net debt/EBITDA ratio is over 2.5; otherwise unrestricted).

In addition, compliance with certain ratios or covenants related to net debt/GAV (not over 3) and EBITDA/finance costs (minimum of 5) must be achieved.

In the last few months of 2008 the Group renegotiated the bank borrowings in order to adapt the related obligations to the new business plan, based on the global economic situation. These renegotiations reached a satisfactory conclusion culminating in the signing of the refinancing agreement for the Udra Group on 21 April 2009.

2. Syndicated credit facility to the BIDCO subgroup (San José Desarrollos Inmobiliarios, S.A. subgroup and Udramed, S.L.U. subgroup):

The modifying novation of the agreement for the credit facility of EUR 580,179 thousand granted to Udramed, S.L.U. was entered into on 3 May 2007. This credit facility has been drawn down in full. The aforementioned amount is broken down into three tranches:

a. Tranche A: up to EUR 315,179 thousand, drawn down in full. Half-yearly repayments until 2014. The amount payable at 31 December 2008 was EUR 290,280 thousand, of which EUR 10,402 thousand mature in 2009.

b. Tranche C: up to EUR 180,000 thousand. See syndicated credit facility to Parquesol.

c. Tranche D: up to EUR 85,000 thousand. See syndicated credit facility to Parquesol.

On 3 May 2007, Parquesol Inmobiliaria y Proyectos, S.A. became a party to the agreement for the syndicated credit facility granted to Udramed, S.L.U. On that same date, the novation of the aforementioned syndicated credit facility was formalised and Parquesol Inmobiliaria y Proyectos, S.A. was granted a credit facility for a maximum of EUR 265,000 thousand, to be used to restructure the Parquesol Group's bank borrowings. The total amount of the credit facility is split into two tranches, the first of EUR 180,000 thousand and the second of EUR 85,000 thousand, in the form of a revolving credit line. The first tranche matures in 2014 and the revolving credit line matures in 2012.

At 31 December 2008, the Parquesol Group had drawn down both tranches of the syndicated credit facility in full. The credit facility bears annual floating interest at a market rate (EURIBOR plus a spread), which in 2008 ranged from a minimum of 3.45% to a maximum of 5.39%.

The applicable interest rate is Euribor plus a variable spread based on the net debt/GAV ratio, which may range from 0.6% to 1.20%. Interest is paid monthly, quarterly or half-yearly at the choice of Udramed, S.L.U.

The loan is jointly and severally guaranteed by certain subsidiaries (San José Desarrollos Inmobiliarios, S.A., Douro Atlántico Sociedad Inmobiliaria, S.A., Douro Atlántico, S.L., Udralar, S.L. and Burgo Fundiarios, S.A.).

Udramed, S.L.U. may distribute dividends up to certain percentages of net profit (35% if the net debt /GAV ratio is over 40%, 50% if it is between 30% and 40% and, otherwise, unrestricted).

In addition, certain ratios or covenants related to net debt/GAV (not over 50% until 2009, not over 45% from 2010 onwards) and EBITDA/finance costs (minimum of 2.5 in 2007 and 2008) must be achieved.

In the last few months of 2008 the Group renegotiated the bank borrowings in order to adapt the related obligations to the new business plan, based on the global economic situation. These renegotiations reached a satisfactory conclusion culminating in the signing of the refinancing agreement for the Udra Group on 21 April 2009

The early (total or partial) maturity of the syndicated credit facility would occur, inter alia, in the following situations:

a. Change of control at the Parquesol Group, at Grupo Empresarial San José, S.A. and/or at Udramed, S.L.U.

b. Disposal of all of the assets or of a line of business of the aforementioned groups or the disposal of significant ownership interests in Group companies.

c. The failure of the Parquesol Group (see syndicated credit facility to Parquesol Inmobiliaria y Proyectos, S.L.) or of the group headed by Udramed, S.L.U. to achieve certain financial ratios established in the syndicated credit facility agreement, if the situation is not remedied within 15 days of the notification of the breach by the agent of the syndicated credit facility.

The clauses of the syndicated credit facility agreement include the obligation of the group headed by Udramed, S.L.U. to comply with certain covenants, such as undertaking not to charge its assets with any guarantee except for those relating to developer or mortgage loans of up to 20% of the group's GAV (30% in certain circumstances) and ensuring that the combined balance of the personal loans with a bilateral guarantee granted to the group headed by Udramed, S.L.U., other than the syndicated credit facility, does not exceed EUR 100,000 thousand. The obligation relating to the achievement of financial ratios is dependent on the outcome of the refinancing negotiations in which the Group is currently involved.

The Parquesol Group has arranged a senior mortgage promise on its property assets, which will only be formalised if and when the syndicated credit facility and the hedge contract executed mature early.

When a cash surplus is generated, 90% of the surplus must be used for the early repayment of the syndicated credit facility (repaying first the tranches of the syndicated credit facility granted to UDRAMED, S.L.U.)

The borrower may only distribute dividends up to the maximum percentages of net profit indicated below:

Net Debt/EBITDA Ratio	%
X > 2,5	50%
X ≤ 2,5	Unrestricted

See Note 21 also.

In the last few months of 2008 the Group renegotiated the bank borrowings in order to adapt the related obligations to the new business plan, based on the global economic situation. These renegotiations reached a satisfactory conclusion culminating in the signing of the refinancing agreement of the Udra Group on 21 April 2009.

16.4 Refinancing

As indicated in Note 26, on 21 April 2009 the Group entered into a refinancing agreement for the aforementioned syndicated bank borrowings. The signing of this contractual agreement constitutes the culmination of a process initiated prior to 31 December 2008, whereby the Group achieved a temporary suspension of the effects of a possible failure to meet the obligations established for the purposes of their renewal. Most of the maturities established in the financing agreement are after 31 December 2009.

Consequently, the Parent's directors maintained as non-current at 31 December 2008 the syndicated borrowings that originally matured after 31 December 2009. The aforementioned Note 26 details the terms and conditions of the agreement which significantly extend the deadlines and financial capacity of the Group.

The Parent's directors consider that the business plan drawn up by the Group for the coming years, the financial resources of which are guaranteed substantially in full by the agreement mentioned in the preceding paragraph, reasonably supports the application of the going concern principle of accounting in these consolidated financial statements, even if conditions in the construction, real estate and financial markets continue to deteriorate in 2009.

17 Derivative financial instruments

To eliminate uncertainty regarding future fluctuations and trends in interest rates on the bank loans and finance leases outstanding at the end of 2008, certain interest rate risk hedging transactions (swaps, swaptions and collars) were arranged, whereby the Group exchanges floating interest rates for fixed interest rates during the term of the aforementioned financing arrangements.

The derivative financial instruments are measured at fair value. The changes in this fair value are included under "Changes in Fair Value of Financial Instruments" in the accompanying consolidated income statement for 2008 if they do not qualify in full for hedge accounting and under "Equity - Valuation Adjustments" if they are hedging instruments.

Company and Derivative	Notional Amount in Thousands of Euros	Commencement of Contract	Expiry of Contract	Interest Rate
Classified as hedges				
Grupo Empresarial San José (IRS)	109,106	12/02/2007	12/02/2012	3,85%
Udramed, S.L.U. (IRS)	228,108	12/02/2007	12/02/2012	3,85%
Tecnocontrol, S.A. (IRS)	5,904	20/11/2006	21/11/2011	3,92%
Parquesol Inmobiliaria y Proyectos S.A.	135,000	24/09/2007	24/09/2012	4,69%
	478,118			
Not classified as hedges-				
San Jose Tecnologias, S.A.U.	50,000	03/01/2007	03/01/2012	4%
Constructora San José, S.A.				
Interest rate swap	25,000	11/02/2006	11/02/2011	2,95&
Interest rate swap	80,000	22/02/2007	22/02/2009	3,33%
Parquesol Inmobiliaria y Proyectos S.A				
Collar	84,000	02/01/2005	02/01/2009	Cap 5.6% and floor 3.70%
Interest Rate Swap	25,000	28/03/2006	29/03/2024	4,16%
Interest Rate Swap	25,000	31/01/2009	31/12/2023	4,22%
Interest Rate Swap	19,527	19/01/2005	19/01/2023	3,94%
Interest Rate Swap	13,180	09/10/2002	09/10/2017	4,49%
Interest Rate Swap	1,800	09/01/2004	09/01/2009	3,61%
Interest Rate Swap	1,500	09/01/2004	09/01/2009	3,63%
Interest Rate Swap	1,500	09/01/2004	09/01/2009	3,58%
Interest Rate Swap	1,500	09/01/2004	09/01/2009	3,53%
Interest Rate Swap	2,000	13/04/2004	09/01/2009	3,10%
Interest Rate Swap	9,877	31/08/2008	31/07/2023	4,18%
Interest Rate Swap	10,000	02/01/2009	02/01/2024	4,15%
Interest Rate Swap	8,193	30/06/2006	31/10/2019	4,26%
Interest Rate Swap	1,496	06/10/2003	04/10/2012	4,72%
Interest Rate Swap	149	30/11/1999	30/11/2009	4,62%
Interest Rate Swap	-	17/09/1999	17/09/2008	4,33%
Interest Rate Swap	120	29/10/1999	30/10/2009	4,61%
Interest Rate Swap	49	24/02/2000	24/02/2009	4,70%
	359,891			
Green Inmuebles, S.L. (Interest Rate Swap) Not classified as a hedge	1,013	31/07/2000	30/07/2012	5,52%
	839,022			

To determine the fair value of interest rate derivatives (swaps or IRSs), the Company uses its own IRS pricing model using Euribor and long-term swaps market curves as inputs. To determine the fair value of collars and other option combinations, the Company uses the Black & Scholes option pricing model and its variants, using for this purpose market volatilities for the strike prices and maturities of these options.

The flows from the derivatives outstanding at 31 December 2008 will foreseeably affect profit or loss as follows:

	Thousands of Euros			
Company	Notional Amount Outstanding in 2008	Notional Amount Outstanding in 2010	Notional Amount Outstanding in 2015	Notional Amount Outstanding in 2020
Classified as hedges				
Grupo Empresarial San José (IRS)	109,106	85,950	64,365	52,590
Udramed, S.L.U. (IRS)	228,108	212,073	196,555	187,762
Tecnocontrol, S.A. (IRS)	5,904	4,604	3,304	-
Parquesol Inmobiliaria y Proyectos S.A.	135,000	135,000	-	-
	478,118			
Not classified as hedges-				
San Jose Tecnologias, S.A.U.	50,000	50,000	50,000	-
Constructora San José, S.A.				
Interest rate swap	25,000	25,000	25,000	-
Interest rate swap	80,000	80,000	-	-
Parquesol Inmobiliaria y Proyectos, S.A.				
Collar	84,000	-	-	-
Interest Rate Swap	25,000	22,704	13,833	4,508
Interest Rate Swap	25,000	23,085	15,726	7,089
Interest Rate Swap	19,527	17,342	11,234	4,086
Interest Rate Swap	13,180	10,586	3,127	-
Interest Rate Swap	1,800	-	-	-
Interest Rate Swap	1,500	-	-	-
Interest Rate Swap	1,500	-	-	-
Interest Rate Swap	1,500	-	-	-
Interest Rate Swap	2,000	-	-	-
Interest Rate Swap	9,877	9,250	6,407	2,911
Interest Rate Swap	10,000	8,817	5,857	2,208
Interest Rate Swap	8,193	6,964	2,525	-
Interest Rate Swap	1,496	674	-	-
Interest Rate Swap	149	-	-	-
Interest Rate Swap	120	-	-	-
Interest Rate Swap	49	-	-	-
Green Inmuebles, S.L.				
Interest Rate Swap	1,013	470	-	-
	839,022	612,519	319,629	261,154

The Group does not hedge the risks associated with highly probable future transactions.

The fair value of the financial derivatives at 31 December 2008 amounted to EUR 22,536 thousand payable to the banks.

Sensitivity analysis of derivative financial instruments

Changes in the fair value of the derivatives arranged by the Group depend on the changes in the long-term euro interest rate curve. The fair values of the derivatives at 31 December 2008 and their exposure to changes of +/-50 basis points in the long-term euro interest rate curve are as follows:

	Thousands of Euros
Fair value	(22,536)
Sensitivity	
Derivatives not classified as hedges under IAS 39	
+0.5% (in profit or loss)	8,570
-0.5% (in profit or loss)	(9,238)
Derivatives classified as hedges under IAS 39	
+0.5% (in equity)	2,221
-0.5% (in equity)	(2,275)

The sensitivity analysis shows that the positive value of derivatives increases (or the negative value decreases) when interest rates rise since they are IRSs or collars where the Group pays a fixed or capped interest rate and, therefore, the Group is protected against interest rate rises.

18 Trade and other payables

18.1 Trade payables

"Trade and Other Payables" includes mainly the amounts outstanding for trade purchases and related costs. The average payment period for trade purchases is approximately 195 days.

"Trade and Other Payables" also includes "Amounts Billed in Advance for Construction Work" totalling EUR 66,690 thousand (see Note 13.1), which relates to progress billings issued during the year for construction work yet to be performed which are not recognised as revenue for the period, in accordance with the method of recognition of revenue for completed construction work, based on the percentage of completion method used by the Group (see Note 4.12), and to advances received from customers relating to the property development business.

Group management considers that the carrying amount of trade payables approximates their fair value.

18.2 Other current liabilities

"Other Current Liabilities" includes mainly the accounts payable relating to joint ventures. It also includes the provisions totalling EUR 4,962 thousand for remuneration payable.

18.3 Customer advances

Real estate advances at 31 December 2008 amount to EUR 10,276 thousand and relate fundamentally to the advances received from the buyers for the properties relating to the developments in progress or completed developments at 2008 year-end, the completion and/or delivery of which are scheduled for subsequent years (see Note 12).

At 31 December 2008, most of the advances received from customers had been guaranteed by banks.

19. Risk exposure

19.1 Credit risk exposure

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

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

The Group's credit risk is mainly attributable to trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, estimated by Group management based on past experience and its assessment of the current economic climate.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group does not have a significant concentration of credit risk, since the credit risk exposure is spread over a large number of customers.

The Group took out credit insurance enabling it to reduce commercial credit risk arising from transactions with debtors.

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

19.2 Interest rate risk exposure

Interest rate risk arises from changes in future cash flows from borrowings bearing interest at floating rates (or with current maturity) as a result of fluctuations in market interest rates.

The objective of interest rate risk management is to mitigate the impact on borrowing costs arising from fluctuations in interest rates. For this purpose, financial derivatives which guarantee fixed interest rates or rates with caps and floors are arranged for a substantial portion of the borrowings that may be affected by this risk.

19.3 Foreign currency risk exposure

The Group does not have, and did not perform in 2008, any foreign currency risk hedging transactions. Its foreign currency risk exposure relates to its investments in the companies detailed in Note 4.14, which are financed in local currency.

19.4 Liquidity risk exposure

The Group pursues the prudent management of liquidity risk based on the maintenance of sufficient cash and marketable securities, availability of financing through a sufficient level of committed credit facilities and sufficient capacity to settle market positions. The Group calculates its cash requirements through a 12-month cash budget. Given the dynamic nature of the core businesses, the Group's Financial Management aims to ensure flexible financing through the availability of the credit lines arranged.

The main figures in the consolidated cash budget for 2009, based on the Group's recurring business and the success of the refinancing process described in Note 16, are as follows:

	Thousands of Euros
Collections from customers in relation to construction work	1,132,454
Other collections (joint venture distributions, tax refunds and extraordinary income)	189,266
Finance income	4,100
Total collections	1,325,820
Payments	
Total payments to suppliers	766,800
Total payments by nature	357,775
Total tax payments	52,700
Total finance cost payments	82,800
Total payments	1,260,075
Cash generated from ordinary transactions	65,745
Financial transactions	
(+) Trade discounts	437,590
(-) Collections relating to discounted progress billings	(263,000)
(-) Collections relating to discounted notes and bills	(188,000)
(+) Drawdown of additional borrowings	80,770
(-) Debt repayment	(90,554)
Cash generated in/ (used for) financial transactions	(23,194)
Total cash generated	42,551

From the review of the cash budget for 2009 and the sensitivity analyses performed by the Group at 2008 year-end, it may reasonably be concluded that the Udra Group will be able to finance its operations even if the real estate market and borrowing conditions continue to worsen. In any case, the fulfilment of the budget will depend greatly on economic activity and on the completion of the financial restructuring process in progress (see Note 16.4).

20. Tax matters

LThe Group companies file individual tax returns in accordance with the tax legislation in force in each country. With regard to Spain, the San José Group, composed of Udra, S.A. as the Parent and all the Spanish subsidiaries in which it holds a direct or indirect ownership interest of at least 75%, files consolidated income tax returns under the special consolidated tax regime as group no. 002/06 (see Note 4.16).

Also, Parquesol Inmobiliaria y Proyectos, S.L. and all the Spanish subsidiaries in which it has a direct or indirect ownership interest of at least 75% file consolidated income tax returns as group number 235/06, forming a separate group from the San José Group.

For each of the consolidated companies, income tax is calculated on the basis of the accounting profit or loss determined by application of generally accepted accounting principles, which does not necessarily coincide with the taxable profit or tax loss.

20.1 Years open for review by the tax authorities

Udra, S.A. and the subsidiaries forming the consolidated tax group have the last four years open for review for all the taxes applicable to them (except for income tax, for which they have all years since 2004 open for review), except for

Constructora San Jose S.A. In 2008 the tax authorities initiated tax audits for all the taxes applicable to the latter (2003 to 2005 for income tax and for the period from July 2004 to December 2005 for all the other taxes applicable to it).

With respect to the other subsidiaries that are either not domiciled in Spain or do not form part of the consolidated tax group, the years open for review are in accordance with the maximum periods established in the legislation applicable in each country of residence.

In 2007 the tax authorities initiated tax audits at certain companies in the Parquesol Group in relation to the following taxes and periods:

Tax	Company	Year
Income tax	Parquesol Inmobiliaria y Proyectos, S.L. (absorbed by Parquesol Inmobiliaria y Proyectos, S.A.)	2003 and 2004
	Guadalmina Inversiones, S.L.	
	Parzara, S.L.	
VAT	Parquesol Inmobiliaria y Proyectos, S.L. (absorbed by Parquesol Inmobiliaria y Proyectos, S.A.)	June to December 2004
Personal income tax withholdings / prepayments	Parquesol Inmobiliaria y Proyectos, S.L. (absorbed by Parquesol Inmobiliaria y Proyectos, S.A.)	June to December 2004

Except for these companies and periods, the other Group companies have the last four years open for review for all the main taxes applicable to them.

The Parent's directors consider that in no case will significant additional liabilities arise as a result of the tax audits currently in progress or in the event of tax audits of the other years open for review.

20.2 Income tax

The balance of "Income Tax" in the accompanying consolidated income statement for 2008 was determined as follows:

Item	2008
Accounting loss before tax	(99,592)
Permanent differences-	
Losses of consolidated companies outside the consolidated tax group for which no tax asset was recognised	6,771
Increases at individual companies	4,136
Decreases at individual companies	(8,939)
Decreases arising from consolidation adjustments and adaptation to EU-IFRSs (a)	(10,086)
Share of the result of associates accounted for using the equity method	(125)
Offset of prior years' tax losses	(609)
Tax loss	(108,444)
Less tax base of companies not resident in Spain	(277)
Tax loss of consolidated group resident in Spain	(108,167)
Gross tax payable (30% in 2008)	(32,450)
Less – tax credits	(797)
Accrued tax expense	(33,247)
Adjustments: deferred tax assets and liabilities	(3,776)
Income tax expense, companies not resident in Spain	6,061
Tax expense recognised	(29,973)

(a) In 2008 the decreases relate basically to the impairment losses recognised in 2008 on ownership interests in consolidated subsidiaries, since these losses are generally considered a tax-deductible expense.

20.3 Tax loss carryforwards

Although at 2008 year-end some of the consolidated companies had declared tax losses amounting to approximately EUR 96,870 thousand, the accompanying consolidated balance sheet at 31 December 2008 only includes a tax asset of EUR 17,388 thousand in this connection.

The detail of the tax loss carryforwards of the consolidated companies at 31 December 2008 is as follows:

Company	Year Incurred (Thousands of Euros)	Tax Losses (Thousands of Euros)	Last Year for Offset (Thousands of Euros)
Udra tax group	2008	20,189	2023
Spanish companies included in the Udra, S.A. consolidated tax group prior to their inclusion in the tax group	2002	145	2017
	2003	-	2018
	2004	684	2019
	2005	115	2020
	2006	87	2021
TOTAL, Udra Tax Group		21,485	
Spanish companies included in the Parquesol consolidated tax group	De 1994 a 1999	71	De 2009 a 2014
	2000	74	2015
	2001	2,684	2016
	2002	1,857	2017
	2003	767	2018
TOTAL, Parquesol Tax Group		5,457	
Spanish companies not included in the consolidated tax groups	2003	2	2017
	2004	113	2019
	2005	261	2020
	2006	1,303	2021
	2007	8,005	2,022
	2008	38,361	2,023
TOTAL outside consolidated tax groups		48,045	
Foreign companies	1998	581	-
	1999	513	-
	2000	403	-
	2002	732	-
	2003	3,119	-
	2004	2,937	-
	2005	2,994	-
	2006	3,848	-
	2007	4,308	-
	2008	2,448	-
TOTAL companies not resident in Spain		21,883	

In the case of the Spanish companies and under current legislation, the tax losses of a given year can be carried forward for tax purposes for offset against the taxable profits of the following 15 years. However, the final amount of the tax losses to be offset may be modified as a result of the review by the tax authorities of the years in which the losses were incurred.

20.4 Deferred tax assets and liabilities

The deferred tax assets recognised in the accompanying consolidated balance sheet at 31 December 2008 arose as a result of the following:

Deferred Tax Assets	2008 Parquesol	2008 San José Group
Elimination of intra-Group profits on consolidation in relation to sales of buildable plots	16,914	-
Difference in the recognition of the provision for urban development costs for accounting and tax purposes	4,023	-
Tax loss carryforwards	5,752	11,636
Tax credit carryforwards	-	2,302
Provisions not deductible in 2008	228	5,897
Conditional sales	828	46
Sales adjusted due to new Spanish National Chart of Accounts	783	-
Other	333	225
	28,861	20,106

The balance of "Deferred Tax Assets" at 31 December 2008 includes principally the following items:

1. The tax effect arising from the elimination of the gains obtained by certain consolidated companies included in the consolidated tax group headed by the Parent of each tax group from the sale of certain buildable plots to other consolidated companies outside the related consolidated tax group.

2. The tax effect arising from the elimination of the income from the sale of Parquesol Group property developments with delivery to the buyers at 31 December 2008 and recognised in the individual financial statements of the Parent, in accordance with the rules adapting the Spanish National Chart of Accounts for real estate companies.

3. The tax loss and tax credit carryforwards to the extent that they are recoverable.

The deferred tax liabilities recognised in the accompanying consolidated balance sheet at 31 December 2008 arose as a result of the following:

Deferred Tax Liabilities:	Parquesol	San José Group
Revaluation of investment property in the first-time application	9,288	-
Deferral for reinvestment of extraordinary gains	3,379	636
Unrealised gains allocated to assets on consolidation	2,047	-
Margin and finance income not capitalised to inventories	-	3,316
Elimination of deductible provisions on consolidation	2,934	321
Other	303	-
	17,951	4,273

In addition, "Deferred Tax Liabilities" includes the tax effect of the asset revaluations performed as a result of the acquisition of control over the Parquesol and Carlos Casado groups.

The balance of "Deferred Tax Liabilities" at 31 December 2008 relates basically to the following items:

1. The deferred tax liability arising from the measurement at fair value of certain items of the Group's investment property at the date of transition to EU-IFRSs (see Note 9).

2. The tax effect at Parquesol of the difference in timing between the recognition of the accounting gains arising from certain non-current asset sales made in the period from 1997 to 2001 and the calculation of the taxable income derived from the accounting gains recognised, since the Group availed itself of the regime relating to the reinvestment of extraordinary gains provided for in Spanish Corporation Tax Law 43/1995, of 27 December, and deferred the tax effect of the related gains. The Group includes the extraordinary gains on the aforementioned property, plant and equipment sales in the income tax base on the basis of the depreciation of the items in which the related amounts were reinvested and, for the non-depreciable portion of those assets, at a rate of

one-seventh each year from the end of the reinvestment period. The income not yet taxed at 31 December 2007 under income tax relating to the gains arising up to 2001 will be included in the tax base in the tax periods up to 2047, inclusive, on the basis of the depreciation taken on the asset in which the reinvestment is made.

The deferred income arising from property, plant and equipment sales made in the period from 1997 to 2001, inclusive, was reinvested in full before 31 December 2006.

3. The deferred tax liability arising from the allocation on consolidation of gains to properties as a result of the allocation of goodwill arising on the acquisition of various investees, mainly Parquesol and Carlos Casado.

4. The tax effect of the difference in timing between the recognition of the accounting income on the sale of a buildable plot, with deferred payment, in 2006 and the date on which the taxable income will be calculated in relation to the accounting gains, since it was decided to include the gain in the income tax base on the basis of the dates on which the related amounts are collected.

20.5 Tax credits

The tax credits earned in the year in excess of the applicable legal limits may be deducted from the income tax payable in the coming years, subject to the limits and deadlines established in this connection by the related tax legislation. The Group availed itself of the tax benefits provided for in the aforementioned legislation and recognised EUR 797 thousand as an increase in the income tax asset accrued in 2008, as follows:

Item	Year Incurred	Thousands of Euros
Earned by the Grupo Empresarial San Jose S.A. tax group		
Double taxation tax credit	2008	2,749
Tax credit for training activities	2008	4
Tax credit for reinvestment of extraordinary gains	2008	17
Tax credit for donations	2008	200
		2,970
Earned by the Parquesol Inmobiliaria y Proyectos, S.A. tax group:		
Tax credit for reinvestment of extraordinary gains	2008	86
Double taxation tax credit	2008	433
Tax credit for training activities	2008	1
Tax credit for trade fairs	2008	27
		547

At 31 December 2008 the tax credit carryforwards, earned in 2008 and 2007, were as follows:

Earned by the Grupo Empresarial San Jose S.A. tax group	Year Incurred	Thousands of Euros
Double taxation tax credit	2007	4
Tax credit for exports and international trade fairs	2007	633
Tax credit for training activities	2007	1
		637

The tax credit carryforwards in 2008 were recognised as tax assets with the exception of the double taxation tax credits, since they related to eliminations from the scope of consolidation. In 2007 the income tax expense recognised was reduced by the total amounts of the tax credits earned in that year.

The reinvestment requirements relating to the full amount of the tax credits for the reinvestment of extraordinary gains earned by the Group in the period from 2003 to 2008, inclusive, had been met in full by 31 December 2008 within the periods established by current tax legislation.

In Spain, the Group recognised the difference between the provision for accounting purposes and the provision permitted under the new wording of Article 12.3 of the Consolidated Spanish Income Tax Law as a deferred tax asset, as follows:

Investee	Thousands of Euros	
	Provision for Tax Purposes	Provision for Accounting Purposes
Desarrollos Inmobiliarios Makalu, S.L.	-	6,326
Green Inmuebles, S.L.	58	636
Hotel Rey Pelayo, S.A.	-	2,066
Kantega Desarrollos Inmobiliarios, S.A.	271	222
Lhotse Desarrollos Inmobiliarios, S.L.	9,632	242
Sofia Hoteles, S.L.	-	581
Supra Desarrollo Inmobiliario, S.A.	69	75
Participación Editorial Ecoprensa, S.A.	1,118	-
Antigua Rehabitalia, S.A.	-	6,469
Zonagest, S.L.	40	-
Copaga, S.A.	23	490
Douro Atlántico, S.L.	386	-
Udra Sur, S.L.	1	-
Udra, S.L.	2	4,713
Udra Argentina, S.A.	22	22
Douro Atlántico, S.A.	405	197
Udra Sol, S.L.	-	4,207
Udra Mar, S.L.	-	4,777
Udra México, S.A. de C.V.	109	318
Constructora San José Uruguay, S.A.	4	-
Constructora Panameña de Aeropuertos, S.A.	87	-
Gestión de Servicios de Salud, S.A.	1	-
	12,228	31,341

20.6 Tax receivables and payables

The detail of the Group's tax receivables and payables at 31 December 2008 is as follows:

	Thousands of Euros	
	Current	Non-Current
Tax assets:		
Deferred tax assets	34,693	50,747
Tax receivables (Note 12)-		
VAT refundable	30,586	-
Sundry tax receivables	18,853	-
	49,439	-
Total tax assets	84,132	50,747
Tax liabilities:		
Deferred tax liabilities	4,237	106,899
Current income tax liabilities	-	-
Tax payables (Note 20)-		
Tax payable as a result of tax assessments	-	-
VAT payable	36,819	-
Personal income tax withholdings payable	5,037	-
Other tax payables	18,995	-
Accrued social security taxes payable	2,405	-
	63,256	-
Total tax liabilities	67,493	106,899

21. Guarantee commitments to third parties

At 31 December 2008, the Group had received from banks and insurance companies guarantees provided to third parties, relating in full to subsidiaries, amounting to EUR 404 million.

The Group arranged the syndicated loans indicated in Note 16.3 to settle the acquisition of Parquesol, providing the shares of Parquesol held by it as security for the loan.

This balance also includes the guarantees related to companies accounted for using the equity method, totalling EUR 9,516 thousand, given by the associate Desarrollo Urbanístico Chamartín, S.A. to the Finance Department of the Madrid Autonomous Community Government as security for the stay of collection proceedings, in order to file a claim with the Madrid Regional Economic-Administrative Tribunal against the tax assessment and payment document received on 23 December 1998 relating to the transfer tax chargeable on the contract awarded for the urban development of RENFE land rights in the Chamartín railway station area of Madrid.

The other guarantees relate mainly to provisional and final bonds provided to public and private agencies for tenders and construction contracts, most of which were provided by banks and insurance companies.

The directors of the Parent and of the subsidiaries do not expect any liabilities to arise in relation to the aforementioned guarantee commitments.

22. Income and expenses

22.1 Revenue

The detail of "Revenue" in the accompanying consolidated income statements for 2008 and 2007 is as follows (in thousands of euros):

	2008	2007
Construction:		
Civil engineering	270,839	182,514
Residential	321,626	429,098
Non-residential	514,382	596,211
Real estate business	139,133	246,516
Commercial activity	15,743	13,320
Technology and other	87,982	92,286
Revenue	1,349,705	1,559,945

Of the total amount, EUR 297,414 thousand relate to joint ventures.

Virtually all the work was performed as prime contractor.

The project backlog (work awarded but not yet performed) amounted to EUR 1,801,378 thousand at 31 December 2008, broken down as follows:

	Thousands of Euros
Construction	
Civil engineering	358,560
Residential	245,059
Non-residential	648,160
Construction subtotal	1,251,779
Industrial maintenance and installation work	57,917
Development and management of energy projects	491,682
TOTAL	1,801,378

Also, on 26 December 2008, as published in the Official Journal of Galicia on 2 February 2009, the Company was awarded the project for the construction and subsequent operation of five wind farms in Galicia by the Galicia Autonomous Community Department of Innovation and Industry. The amount budgeted for completion of the entire work amounts to approximately EUR 200 million.

Since this contract was awarded at the end of 2008 and the process for granting the final authorisations for construction may be a drawn out process, it is expected to commence in the first half of 2010.

22.2 Procurements and other external expenses

The breakdown of "Procurements" in the consolidated income statements for 2008 and 2007 is as follows

	Thousands of Euros	
	2008	2007
Purchases of raw materials and other supplies	348,585	296,698
Impairment losses on inventories in 2008 (Note 22.10)	53,701	-
Purchase volume - rebates	(329)	(110)
Work carried out by other companies	649,249	697,598
Total procurements	1,051,206	994,186

"Work Carried out by Other Companies" includes work that forms part of the Group's own production process but is commissioned from subcontractors or other companies.

The breakdown of the balance of "Other External Expenses" in the consolidated income statement for 2008 is as follows:

	Thousands of Euros	
	2008	2007
Utilities	14,964	9,054
Repair and upkeep expenses	2,128	4,352
Transport and freight costs	4,277	1,692
Insurance premiums and banking services	4,261	5,176
Independent professional services	26,212	23,600
Rent	33,733	41,290
Advertising and publicity	4,932	6,066
Other services	53,569	61,194
Taxes other than income tax	16,622	12,845
Other operating expenses	7,291	4,084
Extraordinary expenses	7,492	-
Total other external expenses	175,481	169,353

The fees paid to the principal auditor for the audit of the 2008 financial statements of the consolidated companies amounted to EUR 621 thousand. Also, the fees paid to other auditors participating in the audit of the subsidiaries amounted to EUR 41 thousand.

The fees paid to the auditors for other services amounted to EUR 11 thousand in 2008.

22.3 Staff costs

The detail of "Staff Costs" is as follows:

	Thousands of Euros
Wages and salaries	137,282
Termination benefits	2,022
Employer social security costs	30,391
Other employee benefit costs	9,922
	179,617

The average number of employees at the Group, by professional category, was as follows:

	Average Number of Employees	
Category	2008	2007
University graduates	604	442
Further education college graduates	698	782
Clerical staff	382	243
Manual workers and technical personnel	2,814	3,345
	4,498	4,812

The average workforce at 31 December 2008 comprised 3,844 men and 654 women.

22.4 Compensation in kind

At 31 December 2008, there was no significant compensation in kind.

22.5 Share-based payment

There are no share-based payments.

22.6 Leases

Operating leases

At the reporting date the Group did not have any operating leases of a material amount and had not assumed any future minimum lease payment obligations.

Finance leases

At 31 December 2008, the Group had acquired future lease payment obligations under finance leases entered into amounting to EUR 7,821 thousand, which fall due mainly in 2010 and 2011. This balance is included under "Bank Borrowings" on the liability side of the consolidated balance sheet (see Note 16.1).

22.7 Finance income

The detail of "Finance Income" in the consolidated income statements is as follows:

	Thousands of Euros	
	2008	2007
Interest on receivables	15,939	13,537
Income from equity investments	130	1,661
Other finance income	1,569	770
	17,638	15,968

22.8 Finance costs

The detail is as follows:

	Thousands of Euros	
	2008	2007
Interest on debts	91,179	70,783
Other finance costs	7,083	(5,924)
	98,262	64,859

22.9 Impairment and gains or losses on disposals of non-current assets

The detail is as follows:

	Thousands of Euros	
	2008	2007
Gains or losses on disposals of non-current assets	(2,872)	8,102
Impairment losses on property, plant and equipment (Note 7)	(244)	-
Impairment losses on investment property (Note 8)	(2,840)	-
Other	(201)	1,372
	(6,157)	9,474

"Gains or Losses on Disposals of Non-Current Assets" includes mainly the reversal of the gain of EUR 2,782 thousand recognised in 2007 on the sale of shares of Parquesol to Lábaro Grupo Inmobiliario (see Note 2.4). Also, in 2007 this heading included the gain on the sale of the Group's ownership interests in Auchán Argentina and Inversiones Auchán.

"Impairment Losses on Investment Property" includes mainly EUR 2,400 thousand relating to the impairment of the Avenida Duque de Palmela building in Lisbon.

22.10 Changes in operating provisions and allowances

The changes in operating provisions and allowances in the consolidated balance sheet in 2008 and 2007 were as follows:

2008

	Thousands of Euros				
	Inventories	Operating Doubtful Debts	Other Operating Provisions and Allowances	Provisions for Contingencies and Charges	Total
Balance at 1 January 2008	3,249	16,921	36,357	13,082	69,609
Charge for the year	57,211	10,796	1,503	7,758	77,268
Amounts used	(3,510)	(777)	(1,822)	(1,087)	(7,196)
Foreign exchange rate changes	-	-	-	-	-
Total charges for the year/amounts used (Note 22.2)	53,701	10,019	(319)	6,671	70,072
Changes in the scope of consolidation and other	9,428	(4,872)	1,500	(2,837)	3,219
Balance at 31 December 2008	66,378	22,068	37,538	16,916	142,900

2007

	Thousands of Euros				
	Inventories	Operating Doubtful Debts	Other Operating Provisions and Allowances	Provisions for Contingencies and Charges	Total
Balance at 1 January 2007	5,862	9,448	14,708	8,287	38,305
Charge for the year	-	217	608	6	831
Amounts used	(2,305)	(2,849)	(10)	(397)	(5,561)
Foreign exchange rate changes	(416)	-	-	(25)	(441)
Changes in the scope of consolidation	-	10,092	15,594	2,168	27,854
Reclassifications and other	108	13	-	3,043	3,164
Balance at 31 December 2007	3,249	16,921	30,900	13,082	64,152

23. Balances and transactions with non-consolidated associates and joint ventures

All the material balances at year-end between the consolidated companies and the effect of the transactions performed between them during the year were eliminated on consolidation. The detail of the most significant balances between the Group and the non-consolidated associates and joint ventures and the effect of the transactions performed with them on the consolidated income statements are as follows:

	Thousands of Euros
Liabilities:	
Pontegrán, S.A.	14,042
Other	1,320
	15,362

EUR 14,875 thousand granted to Antigua Rehabitalia is recognised as a participating loan under “Non-Current Assets”.

The balances receivable from shareholders and directors amount to EUR 8,667 thousand.

24. Remuneration

24.1 Remuneration of directors

The detail of the remuneration of all kinds earned in 2008 by the directors of Udra, S.A. and of the Group company, jointly controlled entity or associate obliged to pay such remuneration is as follows:

	Thousands of Euros
Wages and salaries	516

At 31 December 2008, 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.

Pursuant to Article 127 ter.4 of the Spanish Companies Law, introduced by Law 26/2003, of 17 July, which amends the Securities Market Law and the Spanish Companies Law, in order to reinforce the transparency of corporations, the following information is provided about the Parent’s directors:

Owner	Investee	Line of Business	Ownership Interest	Functions
Jacinto Rey González	Pinos Altos XR, S.L.	Securities holding	55%	Director
Jacinto Rey González	Grupo Empresarial San José, S.A.	Securities holding	1,29%%	Chairman and CEO
Jacinto Rey González	Unirisco Galicia, S.C.R.	Securities holding	-	Director
Jacinto Rey González	Uninvest, S.C.R.	Securities holding	-	Director
Jacinto Rey González	Udra Valor, S.A.	Securities holding	-	Representative of Pinos Altos Inversiones, S.L.
Altina de Fátima Sebastián González	Ferrovial	Construction	100 shares through D&S (33% ownership interest)	-
Altina de Fátima Sebastián González	Parquesol Inmobiliaria y Proyectos, S.A.	Property development	-	Director
Miguel Zorita Lees	Parquesol Inmobiliaria y Proyectos, S.A.	Property development	1,200 shares	Director
Roberto Rey Perales	Arquitrabe Activos, S.L.	Securities holding	-	Director
Roberto Rey Perales	Caja de Burgos Habitarte Inmobiliaria, S.L.	Property development	-	Director
Roberto Rey Perales	Nuevo Hospital de Burgos, S.A.	Property construction and operation	-	Director
Jacinto Rey Laredo	Pinos Altos XR, S.L.	Securities holding	25%	-
Jacinto Rey Laredo	Grupo Empresarial San José, S.A.	Securities holding	-	Director
Jacinto Rey Laredo	Udra Valor, S.A.	Securities holding	-	-
Francisco Hernanz Manzano	El Reino de Don Quijote, S.A.	Property development	-	Chairman
Francisco Hernanz Manzano	Lico Inmuebles, S.A.	Property development	-	Director
Francisco Hernanz Manzano	Parquesol Inmobiliaria y Proyectos, S.A.	Property development	-	Director
Francisco Hernanz Manzano	Grupo Empresarial Natura, S.A.	Property development	-	Director
Francisco Hernanz Manzano	CCM Corporación, S.A.	Property development	-	CEO
Francis Lepoutre	Auchán Group	Shopping centres	-	-

1. Detail of investments in companies engaging in a similar activity:

For the purposes of this section, and as established in Article 127 ter.4 of the Spanish Companies Law, the Parent considers that, despite the fact that its company object comprises a range of activities, which have historically been carried on by the Company, its activity is currently focused on the development of all kinds of property, the performance of public or private works, the purchase and sale, administration and operation of property; the purchase and manufacture of electronic, computer and telecommunications products and systems; the full maintenance of hospital facilities, maintenance of operating theatres and electromedical equipment; the manufacture and sale of integrated systems for operating theatres; and air conditioning projects and installation. Consequently, the information provided by the members of the Board of Directors to be disclosed in this section is confined to these activities.

2. Performance of similar activities by the directors as independent professionals or as employees:

Also, in accordance with the aforementioned Article, the Parent did not receive any notification of any positions held or duties discharged by the directors other than those relating to the Group companies, jointly controlled entities and associates of the UDRA Group.

Similarly, as disclosed in the foregoing section, the Company did not receive any notification from its directors declaring that they carry on, as independent professionals or as employees, any activity that is identical, similar or complementary to the activity that constitutes the company object of UDRA, S.A. as defined above.

The information relating to the Group companies, jointly controlled entities and associates of the UDRA Group is disclosed in the separate financial statements of the Parent.

24.2 Remuneration and other benefits of senior executives

The total remuneration of all kinds of the Parent's General Managers and persons discharging similar duties - excluding those who are simultaneously members of the Board of Directors (whose remuneration is disclosed above) - in 2008 is summarised as follows:

Number of Employees	Thousands of Euros
21	2,726

Additionally, the Company does not have any pension or life insurance obligations to these executives.

25. Information on the environment

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

26. Events after the balance sheet date

The Parent is currently in the process of integrating the companies composing the Group's real estate division, namely and principally the Parquesol Group, with the aim of creating a new more diversified and larger group with the capacity to take on bigger projects. This restructuring is expected to be completed in 2009.

On 21 April 2009, the Parent closed a refinancing agreement for the UDRA Group with a syndicate of banks, the agent of which is BARCLAYS. The refinancing transaction was performed so as to provide the UDRA Group with a stable financial structure in line with the current economic and financial situation, adapting it to the potential cash requirements projected in the UDRA Group's Business Plan for 2009-2013, under a framework of stability.

The principal terms and conditions of this refinancing are as follows:

- Loans and credit facilities for a maximum principal totalling EUR 1,112.37 million.
- A trade and financial discount tranche with a limit of EUR 243.85 million.
- A reverse factoring tranche with a limit of EUR 105.25 million.

• A tranche of project tender and performance bonds and of financial guarantees with a total limit of EUR 501.94 million.

• The obtainment of an additional financing line that will provide the Company with a line of contingent liquidity totalling EUR 212.01 million.

Arrangement of the financing gave rise to the unification of the terms and conditions of the various tranches in one document, the main terms and conditions of which are as follows:

• The repayment term is six years with a grace period for the principal for the first three years; and

• Guarantees were provided, which include security interests in the collection rights, shares and investments of certain San José Group companies (including its ownership interest in Parquesol and its subsidiaries) and mortgages on certain of the property assets.

In 2009-2013 the UDRA Group is required to have minimum shareholders' equity of between EUR 90 million to EUR 150 million and minimum consolidated EBITDA of between EUR 50 million and EUR 75 million and certain interest coverage ratios must be achieved for the period 2012-2014.

Early repayment must be made in the following cases:

• Partial early repayment in the event of a capital increase, with the exception of those earmarked for its investee DUCH and certain permitted projects.

• Early repayment in full in the event of a change in control at UDRA and if UDRA loses control over Grupo Empresarial San José, S.A., Udramed, S.L.U. and/or Parquesol Inmobiliaria y Proyectos, S.A.

• Early repayment in full in the event of disposal of all the business' assets or a line of business pivotal to business continuity, whether it be in one or several related transactions.

• Partial early repayment in the case of sales of assets.

Particularly noteworthy among UDRA's obligations are the following:

• Instruct an entity specialised in the sale of property assets to dispose of assets as envisaged in the Business Plan.

• Not to dispose of, transfer or lease any asset guaranteed by security interests, unless expressly envisaged in the 2009-2010 Business Plan or permitted in the agreement.

• Carry out the merger described in Note 1 within the nine months subsequent to the signing of the refinancing agreement.

• Contribute to San José Desarrollos Inmobiliarios, S.A. the real estate line of business before 31 January 2010.

• Not to incur any further debt, with the exception of the non-recourse or limited-recourse borrowings and other debt permitted under the refinancing agreement.

Also, the Group is renegotiating a significant portion of the bilateral borrowings secured by security interests (fundamentally land and developer loans) so that the grace period envisaged in the refinancing (three years) also applies to these borrowings.

27. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Appendix I

Consolidated subsidiaries:

Company	Auditor	Location	Line of Business	% of Voting Rights Controlled by the Parents			Carrying Amount (Thousands of Euros)
				Direct	Indirect	Other	
1681 West Avenue, LLC	Unaudited	Delaware (U.S.)	Property development	-	70	30	4,767
Alcava Mediterranea, S.A.	Unaudited	Valencia	Construction	-	100	-	951
Altiplano Desarrollos Inmobiliarios, S.L.	-	Valladolid	Property development	-	55	45	2,531
Argentimo	Deloitte, S.L.	Buenos Aires (Argentina)	Property development	-	100	-	19,982
Arserex, S.A.U.	Unaudited	Madrid	Marketing and distribution of sports articles in Spain	-	100	-	2,357
Artel Ingenieros, S.L.U.	Deloitte, S.L.	Pontevedra	Design and installation of telephony networks	-	100	-	871
Asesoramiento y Gestión Integral de Edificios, S.A.U. (AGEINSA)	-	Barcelona	Inactive	-	100	-	36
Azac, S.A.U.	-	Barcelona	Inactive	-	100	-	22,115
Balltagi Mediterrani, S.A.U.	Unaudited	Barcelona	Construction	-	100	-	(5,119)
Basket King, S.A.U.	Unaudited	Madrid	Marketing and distribution of sports articles in Spain	-	100	-	963
Burgo Fundiarios, S.A.	Deloitte, S.L.	Porto (Portugal)	Property	-	100	-	3,227
Cadena de Tiendas, S.A.U.	Unaudited	Pontevedra	Marketing, production, distribution, import and export of clothes	100	-	-	1,695
Carlos Casado, S.A.	Ricardo Casal	Buenos Aires (Argentina)	Property development	-	50,4	49,6	15,612
Cartuja Inmobiliaria, S.A.U.	Deloitte, S.L.	Seville	Construction	-	100	-	5,414
Centro Comercial Panamericano, S.A.	Deloitte, S.L.	Buenos Aires (Argentina)	Property development	-	100	-	13,292
CIMSA Argentina, S.A.	Ricardo Casal	San Luis (Argentina)	Civil engineering work	-	94	6	(428)
Comercial Udra, S.A.U.	Deloitte, S.L.	Pontevedra	Sales	100	-	-	5,264
Construcción, Rehabilitación y Conservación, S.L.U.	Unaudited	Santiago de Compostela	Construction	-	100	-	5,571
Constructora Avalos, S.A.U.	Unaudited	Tres Cantos (Madrid)	Construction	-	100	-	787
Constructora Panameña de Aeropuertos, S.A.	Bustamante y Bustamante	Panama City (Panama)	Construction	-	94,8	5,2	1,030
Constructora San José Argentina, S.A.	Ricardo Casal	Buenos Aires (Argentina)	Construction	-	100	-	1,595
Constructora San José Cabo Verde, S.A.	Unaudited	Cape Verde	Construction	-	100	-	115
Constructora San José, S.A.	Deloitte, S.L.	Pontevedra	Construction	-	99,79	0,21	159,098
Constructora Udra Limitada	Deloitte, S.L.	Monaco (Portugal)	Complete construction, upkeep	7	52,59	40,41	1,563
Copaga, S.L.U.	Deloitte, S.L.	Vigo (Pontevedra)	and repairs	-	100	-	(1,900)
Deconalva, S.A.	KPMG		Property	-	75	25	233
Desarrollos Urbanisticos Udra, S.A.	Unaudited	Pontevedra	Property development	-	100	-	16,272
Douro Atlantico Sociedade Inmobiliaria, S.A.	Deloitte, S.L.	Porto (Portugal)	Property development	-	100	-	15,119
Douro Atlantico, S.L.U.	Deloitte, S.L.	Pontevedra	Property	-	100	-	4,663

Company	Auditor	Location	Line of Business	% of Voting Rights Controlled by the Parents			Carrying Amount (Thousands of Euros)
				Direct	Indirect	Other	
Edificio Avenida da Liberdade	-	Madrid	Leasing	-	100	-	(377)
Energía Renovable de Galicia, S.A.	Unaudited	Madrid	Production and sale of electricity using renewable energies	-	100	-	764
Eraikuntza, Birgaikuntza Artapena, S.L.U.	Deloitte, S.L.	Vigo (Pontevedra)	Construction	-	100	-	6,825
Esparq Construcciones, S.A.	Deloitte, S.L.	Valladolid	Construction	-	75	25	295
Espinosa Arquitectos, S.A.	Deloitte, S.L.	Pontevedra	Construction and development	-	75	25	904
Fashion King, S.A.U.	Unaudited	Madrid	Marketing, production, distribution, import and export of clothes	-	100	-	152
Fomento Inmobiliario de Gestión, S.A.	-	Madrid	Property development	-	100	-	3,944
Gabinete de Selección, S.L.	Unaudited	Gijón (Asturias)	Staff recruitment and placement	99,9	0,1	-	39
Green Inmuebles, S.L.	-	Palma de Mallorca	Leasing	-	50	50	1,254
Grupo Empresarial San José, S.A.	Deloitte, S.L.	Pontevedra	Development of all manner of property and construction in general, for its own account or for the account of others	75,29	-	24,71	195,279
Guadalmina Inversiones, S.L.U.	-	Pontevedra	Property development	-	100	-	12,843
Hood Sports, S.A.U.	Unaudited	Buenos Aires (Argentina)	Production, warehousing and distribution of manufactured goods	-	100	-	84
Hotel Rey Pelayo, S.L.	-	Pontevedra	Leasing	-	100	-	1,557
Iniciativas Galebal, S.L.	Unaudited	Valladolid	Property development	-	56	44	(10)
Inmobiliaria Americana de Desarrollos Urbanisticos, S.A.U.	Unaudited	Tres Cantos (Madrid)	Property development	-	100	-	(1,075)
Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.U.	Unaudited	Pontevedra	Property development	-	100	-	8,091
Inmobiliaria Sudamericana de Desarrollos Urbanísticos, S.A.	Deloitte, S.L.	Madrid	Property development	-	100	-	1,067
Inmobiliaria Udra, S.A.	Deloitte, S.L.	Lisbon (Portugal)	Property	-	100	-	84,962
Inmoprado Laguna, S.L.	-	Lisbon (Portugal)	Property development	-	50	50	2,329
Instal 8, S.A.U.	Unaudited	Madrid	Hydraulic installation work	-	100	-	39
Inversiones Patrimoniales Guadaiza, S.L.U.	Unaudited	Madrid	Property development	-	100	-	26,702
Lardea, S.L.	-	Madrid	Property development	-	100	-	10,662
Nº 11 - Investimentos Imobiliários, S.A. Edificio Duque de Loulé, Nº 106- Investimentos Inmobiliarios S.A.	-	Lisboa (Portugal)	Leasing	-	100	-	(1,169)
Nº 35 - Investimentos Imobiliários, S.A. Edificio Duque de Palmela	-	Lisboa (Portugal)	Leasing	-	100	-	(3,638)
Outdoor King, S.A.U.	Unaudited	Madrid	Production, warehousing and distribution of manufactured goods	-	100	-	661
Parque Usera, S.L.	-	Madrid	Property development	-	100	-	9,822

Company	Auditor	Location	Line of Business	% of Voting Rights Controlled by the Parents Direct	Indirect	Other	Carrying Amount (Thousands of Euros)
Parquesol Construcciones, Obras y Mantenimientos, S.L.	-	Valladolid	Production, warehousing and distribution of manufactured goods	-	97	3	86
Parquesol Inmobiliaria y Proyectos, S.A.	Deloitte, S.L.	Valladolid	Property development	-	69,5	30,5	221,542
Parquesol Promociones y Desarrollos Inmobiliarios, S.L.U.	-	Valladolid	Inactive	-	100	-	2,209
Parquesoles Portugal SGPS, S.A.	-	Lisbon (Portugal)	Property development	-	100	-	77
Parquesoles Inmobiliaria y Proyectos, S.A. (formerly Almarjurbe-Investimentos Imobiliarios, S.A.)	-	Lisbon (Portugal)	Property development		100		(1,631)
Parzara, S.L.U.	-	Madrid	Property development	-	100	-	62,356
Poligeneraciones parc de L´Alba	Unaudited	Barcelona	Construction, start-up and maintenance of electricity polygeneration plant	-	86	14	1,662
Promoción Cultural Galegas, S.A.	Unaudited	Vigo (Pontevedra)	Publishing	-	59,48	40,52	1,725
Promoción Cultural Galega 2007, S.L.	Unaudited	Vigo (Pontevedra)	Publishing	-	97,58	2,42	3
Xornal de Galicia, S.A.	Unaudited	Galicia	Press	-	100	-	195
Running King, S.A.U.	Unaudited	Pontevedra	Marketing, production, distribution, import and export of clothes	-	100	-	47
S.M. Klima, S.A.U.	Deloitte, S.L.	Seville	Installation and upkeep of air conditioning systems	-	100	-	14
San José BAU GmbH	Wisbert & Partner	Berlin (Germany)	Construction	-	84	16	126
San José Concesiones y Servicios, S.A.U.	Unaudited	Pontevedra	Provision of healthcare and social services	-	100	-	58
San José Construction Group, Inc	Unaudited	Washington (U.S.)	Construction	70	30	-	1,336
San José France, S.A.S.	Unaudited	Le Haillan (France)	Holding company	-	100	-	1,003
San José Infraestructuras y Servicios, S.A.	Deloitte, S.L.	Pontevedra	Infrastructure erection and maintenance	-	99,79	0,21	11,485
San José Perú, S.A.C.	Deloitte, S.L.	Lima (Peru)	Construction	-	100	-	7,445
San José Real Estate Development, LLC	Unaudited	Delaware (U.S.)	Property development	-	100	-	5,227
San José Uruguay, S.A.	Unaudited	Colonia Sacramento (Uruguay)	Industrialisation and marketing	-	100	-	128
San Pablo Plaza, S.L.U.	Unaudited	Seville	Property development	-	100	-	15,300
SCPI Parquesol Rue de la Bienfaisance	-	Paris (France)	Leasing	-	100	-	6
Sefri Ingenieros Maroc, S.A.R.L.	Unaudited	Morocco	Engineering and installation services	-	75	25	(120)
Sefri Ingenieros, S.A.U.	Deloitte, S.L.	Tres Cantos (Madrid)	Engineering and installation services	-	100	-	2,915
Sierra de Nipe, S.A.	Unaudited	Dominican Republic	Property development	-	100	-	(106)
SJB Mullroser	Wisbert & Partner	Müllrose (Germany)	Construction	100	-	-	(2,001)
Sofía Hoteles, S.L.U.	-	Valladolid	Management of the facilities of the Tryp Sofía Hotel in Valladolid	-	100	-	1,631

Company	Auditor	Location	Line of Business	% of Voting Rights Controlled by the Parents			Carrying Amount (Thousands of Euros)
				Direct	Indirect	Other	
SUPRA Desarrollos Inmobiliarios, S.L.	-	Seville	Property development	-	55	45	808
Tecnoartel Argentina, S.A.	Ricardo Casal	Buenos Aires (Argentina)	Maintenance and installation work	-	100	-	25,387
Tecnocontrol Servicios, S.A.U.	Deloitte, S.L.	Tres Cantos (Madrid)	Maintenance services	-	100	-	291
Tecnocontrol Sistemas de Seguridad, S.A.U.	Unaudited	Tres Cantos (Madrid)	Security systems maintenance	-	100	-	125
Tecnocontrol, S.A.U.	Deloitte, S.L.	Barcelona	Installation and assembly work	-	100	-	2,739
Trendy King, S.A.U.	Unaudited	Madrid	Marketing and distribution of sports articles in Spain	-	100	-	2,138
Udra Argentina, S.A.	Ricardo Casal	Buenos Aires (Argentina)	Property	-	90	10	643
Udra Industrial, S.A.U.	Deloitte, S.L.	Pontevedra	Installation work	-	100	-	12,779
Udra Mantenimiento, S.L.U.	Unaudited	Tres Cantos (Madrid)	Public telephone maintenance and money collection services	-	100	-	16
Udra Medios, S.A.U.	Unaudited	Pontevedra	Publishing, production, reproduction and public dissemination of books, newspapers, magazines and any picture or sound distribution medium	100	-	-	1,312
Udralar, S.L.	Unaudited	Tres Cantos (Madrid)	Property	-	55	45	(8,567)
Udramar Inmobiliaria, S.L.U.	Unaudited	Tres Cantos (Madrid)	Property	-	100	-	(56)
UdraMed, S.L.U.	Deloitte, S.L.	Tres Cantos (Madrid)	Construction	-	100	-	(49,663)
Udrasol Inmobiliaria, S.L.U.	Unaudited	Tres Cantos (Madrid)	Property	-	100	-	(4,217)
Udrasur Inmobiliaria, S.L.U.	Unaudited	Tres Cantos (Madrid)	Property	-	100	-	1
Urbemasa, S.A.U.	-	Valladolid	Inactive	-	100	-	226

Appendix II

Associates accounted for using the equity method

Company	Auditor	Location	Line of Business	% of Voting Rights Controlled by the Parents: Direct	Indirect	Other	Carrying Amount (Thousands of Euros)
Pontegran, S.L.	Deloitte, S.L.	Madrid	Property development	-	45	55	20,131
Corporación San Bernat SCR, S.A.	Audihispana	Barcelona	Securities holding	-	28	-	6,666
Antigua Rehabilitalia, S.A.	Deloitte, S.L.	Madrid	Property development	-	40	60	331
Zonagest, S.L.	Unaudited	Madrid	Property development	-	20	80	967
Desarrollo Urbanístico Chamartín, S.A.	Deloitte, S.L.	Madrid	Property development	-	27,5	72,5	11,123
Panamerican Mall, S.A.	KPMG	Buenos Aires (Argentina)	Property development	-	20	80	16,729
Nuevo Parque de Bomberos, S.A.	Unaudited	Palma de Mallorca	Construction and operation of a new fire station	-	28	72	537
Otoño, S.L.	-	Valladolid	Inactive	-	67	33	63
Pinar de Villanueva, S.L.	-	Valladolid	Operation of rural properties and buildings, urban development and property development	-	50	50	427
Villa del Prado Patrimonio, S.L.	-	Valladolid	Inactive	-	50	50	27
Villa del Prado Gestión, S.L.	-	Valladolid	Inactive	-	50	50	3
Green Cines, S.L.	-	Valladolid	Operation of cinemas	-	50	50	(577)
Discoval 2000, S.L.	-	Valladolid	Inactive	-	50	50	50
ZIBAR-Invertimentos Imobiliários, S.A.	Rosa Lopez. Gonzalves Mendes y Asociados	Portugal	Investment property	-	50	-	2,597
Aprisco Salvador Investimentos Hoteleiros e Imobiliários, LDA	AFM Auditores Independientes S/S	Portugal	Investment property and hotels	-	50	-	-
Hospes Brasil Participaçoes e Empreendimientos, LDA	AFM Auditores Independientes S/S	Portugal	Luxury hotel accommodation and management	-	50	-	-

Appendix II

Consolidated joint ventures:

Company	Location	Line of Business	Effective Percentage of Ownership of the Parent	Thousands of Euros Cost of the Ownership Interest
Desarrollos Inmobiliarios Makalu, S.L. (1)	Madrid	Property development	50,00	1,002
Kantega Desarrollos Inmobiliarios, S.A. (*)	Seville	Property development	50,00	5,515
LHOTSE Desarrollos Inmobiliarios, S.L. (1)	Madrid	Property development	50,00	30,750 (a)
Metrocity Investimentos Imobiliários Ibéricos, S.A.	Lisbon (Portugal)	Property development	50,00 (b)	500
				44,252

(*) The cost of the ownership interest in this company subscribed by the Group amounted to EUR 12,000 thousand at 31 December 2008, of which EUR 6,485 thousand remained outstanding.
(a) In 2008 the cost of the ownership interest in LHOTSE Desarrollos Inmobiliarios, S.L. increased by EUR 18,750 thousand as a result of a capital increase carried out by that company through the conversion of loans into capital. The Group's percentage of ownership remained unchanged.
(b) This ownership interest is held indirectly through Parquesoles Portugal SGPS, S.A.
(1) Companies audited by Deloitte, S.L.

1. Joint ventures in the construction industry:

Joint Venture	% of Ownership	Thousands of Euros Progress Billings Issued/Income (*)
Hospital Xeral De Lugo	50%	34,957
Cinturon De Vigo	50%	27
Daimiel	100%	-
Aportacion Hosp Almansa	70%	1,859
Nueva Sede Diputación De Malaga	50%	2,024
Rio Fervedoira	100%	-
Zona De Contacto Toledo	100%	-
Cañada Ancha	100%	-
Almanjayar	75%	6,510
Plaza El Arbol	20%	-
Variante Iscar	100%	-
A.I. La Nava	100%	2
Chiclana	100%	-
Acceso Zona Contacto Toledo	100%	-
San Lucar	100%	-
Rivas Oeste	100%	-
Chipiona	100%	-
Aeropuerto De Menorca	50%	16,262
Museo Del Prado	50%	-
Ciudad De La Cultura	50%	-
Jabalon (Manserja)	40%	-
Ciudad De La Luz - Alicante	20%	-
Ciudad De La Luz - Alicante	20%	-
Prolongacion Avenida Alvaro Domecq	100%	-
Nueva Estacion Pinar Del Rey	100%	12

Joint Venture	% of Ownership	Thousands of Euros Progress Billings Issued/Income (*)
Becerril	100%	-
Avenida De Europa Jerez	100%	-
La Granja-Jerez	100%	-
C.P L¿Eliana	70%	104
Piscina Parla	60%	-
Ac-301 Padron	100%	-
Viviendas Alcosa	80%	493
Edificio Ciudad Cultura	50%	598
Coveta Fuma	20%	-
Sistema Luces Aeropuerto	20%	-
Metro Boadilla	30%	1,517
Nueva Ciudad Deportiva De Umbrete En Sevilla	100%	(98)
Ccb Mallorca	55%	-
Santa Maria De La Isla	20%	-
Agua Potable Proteccion Legionelosis	20%	-
Alcorcon	100%	-
Fachada Filologia U.V.	60%	-
Jarosa El Escorial	100%	-
El Puerto	100%	191
Autovía A-50 Salamanca	100%	27,192
Fondo Operativo Hospital Asturias	43%	36,733
M-40 Pau Las Tablas	50%	-
Solar Facultad De Psicología	50%	-
Puerto De La Atunara	80%	-
Depuradora Cutar	20%	-
Almuradiel	20%	-
Son Tous - Tecnocontrol Cimsa	20%	-
Captacion Bombeo Cubillo De Butron	20%	-
Desagüe De Pluviales Ronda Parque	20%	-
Renovacion Red De Saneamiento Teruel	20%	-
Saneamiento En Kareaga Goikoa	20%	-
Marquesinas Lleida	20%	-
Hosp.Verge Cinta	20%	1,123
Ceip Beethoven	20%	(1)
Urbaniz. Barrio San Isidro	100%	1,260
Parque Lineal Rivas	75%	237
Escola Bressol	20%	-
Abastecimiento Fuensaldaña	20%	-
Tratamiento Agua Potable Villanubla	20%	-
Csj-El Ejidillo (Fondo Operativo)	60%	16,302
Autovia Encinas Reales Cordoba	70%	22,676
Estadi Municipal Montcada	20%	-
Ceip San Jordi	20%	12
Embalse Contreras	50%	49,944
Estacion Ave Zaragoza	55%	-
Ceip San Jose Calasanz - Bigastro	60%	2,112
Adecuacion Edificio Camara De Comercio	60%	202
Centro De Salud Lucero En Madrid	70%	119

Joint Venture	% of Ownership	Thousands of Euros Progress Billings Issued/Income (*)
Reforma Biologicas-Uv	60%	-
Ingeniería Industrial	50%	21,379
Hospital De Guadix	50%	-
Ocaña	70%	44,228
Zona Comercial Aeropuerto Menorca	50%	1,734
Colegio Alameda De Osuna	65%	6,153
Autovía Verín-Frontera Portuguesa	50%	12,895
Regadio Canal Del Páramo Bajo	50%	6,454
Valdebebas Lote 6	50%	16,629
Paso Inferior IFEMA	50%	1,229
Anillo Norte Estacion Delicias	63%	16,753
Hospital De Plasencia	45%	5,259
Ronda Suroeste Toledo	50%	15,539
Arroyo De La Vega Ampliacion Edar	50%	560
Proyecto Y Obras De La Edar Aranjuez Norte	50%	3,445
El Tejar	70%	1,907
Csj-Obremo	67%	5,146
Hospital Gandía	70%	-
Parque De Bomberos	51%	12,043
Escuela Universitaria De Magisterio	80%	5,161
Mieres	60%	2,805
Ensanche Barajas	50%	824
Vall Nuria	20%	338
Vilanova	20%	78
Cap Rubi	20%	-
Ampliacion Hosp.Verge Cinta	20%	-
Etsi Universidad Valencia	80%	3,316
Hotel Colon Sevilla	70%	12,092
San Jose El Ejidillo E	60%	86
San Jose El Ejidillo F	60%	62
Nave Ind.Vicalvaro	60%	247
Hospital Gandia	70%	4,255
Fase Ii H.Juan Canalejo La Coruña	50%	1,283
Palacio Justicia Paterna	60%	-
Jardineria Ifema	60%	96
Parque Fuensanta	60%	148
Zonas Verdes Ferrol	60%	354
Ajardinamiento Y Mejora Elup De Calles Juan Vera	60%	-
Vpo La Torre Valencia	50%	-
Rehabilitacion Poboado Mineiro Fontao	80%	216
Reformas Aulas Facultad Derecho	40%	-
Reformas Aulas Edificio 19	40%	-
Reforma Biblioteca Edificio 20	40%	-
Reforma Pabellón 12	40%	-

Joint Venture	% of Ownership	Thousands of Euros Progress Billings Issued/Income (*)
Facultad Ciencias II	60%	-
Nivel 0	60%	-
Plaza El Árbol	80%	(1)
Ampliación Cafetería Univ. Jaume I	80%	-
C.P.L Eliana	30%	104,204
Polideportivo Cabanes	80%	-
Alcoi	90%	-
Fachada Filología U.V.	40%	-
Reforme Despachos Derecho U.A.	95%	-
Fundación Isonomia	95%	-
Piscina Ribaroja	90%	-
Solar Facultad De Psicología	50%	-
Nivel Sótano FCHS – UJI	95%	-
Laboratorios Tecnología – UJI	95%	-
Reforma Laboratorios Química UV	40%	-
CEIP San Jose Calasanz - Bjgastro	40%	2,112,391
Adecuación Edificio Cámara De Comercio	40%	202,446
Reforma Biológicas –UV	40%	-
Facultad De Farmacia UV	50%	-
Museo Antonia Mir	75%	31,759
Obras Complementarias Bioingeniería	50%	-
Edificio Público Espejo De La Participación	50%	2,640,973
EU Magisterio	20%	5,161,059
ETSI Universidad Valencia	20%	3,316,341
Vpo En El Sector De La Torre	50%	-
Viviendas dehesa vieja	50%	12,016,502
Hospital Almansa	30%	1,858,862
Reformas aulas facultad derecho univ. Alicante	60%	-
Casa de niños Quijorna	80%	-
Piscina parla	40%	-
Polideportivo Cabanes	20%	-
Alcoi	10%	-
Reforma despachos derecho U.A.	5%	-
Fundacion isonomia	5%	-
Piscina Ribaroja	10%	-
Nivel sotano fchs	5%	-
Laboratorios tecnologia	5%	-
Reforma laboratorios quimica UV	60%	-
Ceip Joan Maragall	20%	711,709
Facultad de farmacia UV	50%	-
Museo Antonia Mir	25%	31,759
Obras complementarias Ins Bioingenieria umh	50%	-
Construccion del edificio público	50%	2,640,973
Can Zariquey	20%	1,605,295
Rehabilitacion teatro San Fernando	80%	127,015
O/Ceip Beethoven	80%	(1,106)
Escola Bressol	80%	-
Ceip Joan Maragall	80%	711,709

Joint Venture	% of Ownership	Thousands of Euros Progress Billings Issued/Income (*)
Estadi Municipal Montcada	80%	-
Ceip San Jordi	80%	12,154
Can Zariquey	80%	1,605,295
Estero	25%	-
Baeza	45%	-
Tercia De Baena	80%	-
Casa De Niños Quijorna	20%	-
WTC Sevilla	20%	-
Redes Tic	20%	-
Hospital Valle Del Guadiato	60%	1,796,286
Hospital Valle De Los Pedroches	60%	672,720
Hospital De Guadix	50%	-
Rehabilitacion Teatro San Fernando	80%	127,015
Rehabilitacion Poboado Mineiro De Fontao	20%	215,517
Cruz Roja	80%	-
Barañáin	50%	-

2. Joint ventures in the industrial sector:

Joint Venture	Percentage of Ownership	Work Completed (Relating to 100% of the Joint Venture) (Euros)
Sefri Ingenieros, S.A.U.:		
Museo del Prado	50%	-
Talavera	20%	-
Aeropuerto de Barcelona	33%	7,978
Cutar de Málaga	80%	-
Climatización El Empecinado	20%	1,892,041
Residencial Docente Do Burgo	20%	367,569
Trauma V. Hebron	20%	341,902
Tecnocontrol, S.A.U.:		767,773
Radiales M50	33%	465,363
Subest.Transformadora Rio Adaja	50%	100,978
Museo del Prado	50%	89,060
Captacion De Bombeo Cubillo Butron	80%	-
Inst.Electricas Novo Hosp.Lugo	34%	-
Inst.Comunicac. Novo Hosp.Lugo	50%	-
Set Cortadura Subest. 66kven L.A.V. Tramo Aerop.	50%	-
Hosp.Verge Cinta	80%	523,272
Trauma V.Hebron	80%	-
Planta A-400m Airbus Sevilla	40%	270,554
Universidad De Santiago	80%	19,289
Redes Telefonia Y Datos, Ministerio Del Interior	80%	-
Climatizacion Base El Empecinado	80%	-
Estacion Ave Zaragoza	45%	-

Joint Venture	Percentage of Ownership	Work Completed (Relating to 100% of the Joint Venture) (Euros)
Residencial Docente Do Burgo	80%	-
Comunicación De Cocheras Vallecas	80%	-
Serv.Explo.Y Mant Sist. De Seguridad Aerop.Barajas	50%	-
Cymitec Serv.Centrales Ciudad De La Cultura Santiago	50%	596,048
Explotacion Vall De Nuria	80%	-
Campo De Futbol Municipal La Vinyassa	50%	-
Centro De Salud Lucero	30%	110,937
Cap Rubí 3 - Csterrassa	80%	269,088
Pci Linea 3 Metro De Madrid	80%	718,515
Gespa Mas Oliva-Ajuntament Roses	50%	6,149,522
Extincion De Incendios Residencia Militar Alcazar	80%	884,398
Tecosa-Tecno Sist.Seguridad Arroyos	50%	396,114
Copisa-Tecno S.Ferroviari L'anoia I El Bages	40%	1,501,452
Tecno-Telvent By-Pass Sur Tunel Norte	50%	710,587
Tecnoditec Comunicaciones	60%	1,071,215
Desaladora El Mojon	25%	62,696
Ampliacion Hospital Pozoblanco	40%	-
Har Peñarroya Valle Del Guadiato	40%	-
Poligeneracion Cerdanyola Del Valles	95%	-
Gsc-Tecnocontrol Planta Colmenar	50%	-
Tecno-Elecnor Cabildo Insular	50%	-
Tecno-Moelca Ae.Fuerteventura	55%	-
Imhuca Hospital De Oviedo	35%	-
Aparcamiento P-2 Aeropuerto De Malaga	80%	-
Arnau Vilanova	80%	-
Artel Ingenieros, S.L.U.:		
Museo del Prado	50%	7,076
Sum.Equip.Inform. Canarias	50%	-
Sum. Proyectores prog. Fomento	50%	-
Comunicación Cocheras de Vallecas	20%	-
Universidad de Santiago	20%	126,220
Redes Telefonía Ministerio del Interior	20%	111,325
Sm Klima, S.A.		-
Bajondillo	25%	-
TOTAL		18,549,747

UDRA, S.A. AND SUBSIDIARIES

2008 Directors' Report

1. Business performance and situation of the Group:

1.1 Market performance -

In 2008 the worldwide economic slowdown which began in the second half of 2007 finally became apparent. This panorama in terms of the Spanish economy is worse still, especially in the construction and real estate industries, affected to a great extent by the liquidity crisis that international financial markets are currently suffering.

In the last quarter of 2008 the weakness of Spanish economic activity deteriorated when GDP in real terms suffered a year-on-year fall of 0.7%, as opposed to an increase of 0.9% in the previous quarter. In quarter-on-quarter terms, gross domestic product fell by 1%. This meant that, for the first time since 1993, Spain saw two consecutive quarters of negative growth. As regards the breakdown of internal demand, only public sector consumption grew, whilst private sector consumption fell sharply with a total year-on-year decrease of 2.2%.

Also, gross added value weakened in all areas, but especially in construction and industry, which witnessed year-on-year falls of 8% and 4.7%, respectively. In parallel, the rate of job losses intensified, with employment falling 3.1%.

Overall, 2008 ended with an average GDP increase of 1.2%, 2.5 percentage points lower than that recorded in 2007, which was a result of the rapid slowdown in domestic demand.

In 2008 investment in fixed capital fell by 3%, due largely to the weakness of the residential building industry and investment in capital goods, which dropped by 10.9% and 1.1%, respectively.

Against the global backdrop of the financial crisis and the recession in the main advanced economies, Spanish economic growth was slightly above that of the euro zone and the EU as a whole, which registered growth of 0.7% and 0.9%, respectively.

As regards investment in construction, current indicators point towards a further contraction throughout 2009. In particular, employment indicators for January 2009 showed a continuation of the weakness of the industry. The number of contributors to the Spanish social security system in January 2009 continued the downward trend already seen in 2008 with a year-on-year decrease of 24.1%, two points more than in December 2008.

However, business confidence indicators in the industry witnessed some improvement in February, although they are still at the lowest levels seen for some years. Also, long-term indicators could be pointing towards a possible turnaround in terms of residential construction investment in the next few months. In particular, although the number of new housing permits continued to fall sharply in December (a decrease of 45.8%), the rate of decrease was lower than in the two previous months. Lastly, bids for public tenders for civil engineering work showed some improvement in November and December.

The situation of the real economy has also worsened as a result of the liquidity and confidence crises in international financial markets. Throughout 2008 and up until now, there have been continuing signs of instability in an environment marked by the continued deterioration of the economic panorama of the leading economies, by the difficulties in the banking sector and by the scepticism of the markets towards the financial stability plan proposed by the new administration in the United States.

Despite the continued tensions in the interbank market, business credit showed some signs of recovery, with moderate decreases in the credit risk derivatives indexes and corporate bond spreads. The stock markets operated in a highly volatile environment and, in developed economies, they closed the year with losses due to the negative performance of the banking industry.

In Latin America, the activity indicators presented signs of an overall decrease in GDP growth for the fourth quarter of 2008. For example, Argentina's GDP growth fell two percentage points to a year-on-year figure of 4.9%. The average rate of inflation for the region stabilised in January 2009 at a year-on-year rate of 7.9%, three tenths lower than the previous month, while lending continued to slow with stricter lending conditions.

1.2 Performance of the construction industry in 2008 -

In lines with expectations at the end of 2007, the real estate industry came to the end of a long growth cycle and, as a result, the same can be said of residential construction. However, in addition to the change of cycle, construction industry activity has been significantly affected by a factor that, perhaps, is having the greatest negative impact on the industry and will continue to do so, namely: the liquidity difficulties that are evident in the financial services industry. This is not only causing an increase in the spreads applied in financing, but also, in some cases, major corporate financing shortfalls.

Using Spanish construction industry income from operations as a reference, 2008 witnessed a reduction of 10.8% with respect to 2007. This reduction arose in both the building construction and civil engineering segments of the industry. This reduction was partially due to the level of new contracts existing prior to the end of 2007. In other words, the reduction in the construction industry is greater than that indicated earlier because, it is due to contracts already signed and/or at advanced stages which were completed in 2008. Consequently, if the "new contracts" are taken into account, it becomes clear that the fall in activity is actually greater. In this regard, new contracts fell by a total of 26.3% in 2008, with particular emphasis in the building construction segment which saw a fall of 31%. The fall in the civil engineering segment in 2008 was 16.1%.

1.3 Risks associated with business activities -

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

1.4 Main consolidated financial indicators -

Pursuant to applicable legislation, all groups of companies whose shares are admitted to trading on secondary markets or that exercise control over listed companies or groups of companies are obliged to file consolidated financial statements from 2005 onwards.

In 2006 the San José Group launched a takeover bid through its subsidiary UDRAMED for the real estate group headed by Parquesol Inmobiliaria y Proyectos, S.L. This transaction was finally settled in January 2007 and, therefore, Udra, S.A. is legally obliged to file consolidated financial statements in accordance with IFRSs from 2007 onwards. However, the San José Group opted for early adoption and prepared financial statements under IFRSs for the first time in 2006.

Therefore, the San José Group discloses its financial/accounting information under the same accounting standards and principles as the main construction groups and companies. This entails the following advantages:

- **Financial information that is uniform**, convergent and comparable with that of the main construction groups in Spain and abroad that operate under IFRSs.
- **A clearer and more transparent view** of its financial situation and its ability to generate liquidity from its ordinary activities. Adequate information with respect to the Group's ability to manage its exposure to financial risks arising

from its business diversification and international presence, disclosing the Group's risk hedging policy.

• A **more detailed disclosure of the business structure** and its ability to create wealth through segment reporting (by activity or market).

Equity: the Group's equity at 2008 year-end totalled just over EUR 435 million.

Profit: revenue amounted to EUR 1,350 million, a decrease of 13.4%. The current situation of the Spanish economy, and in particular the construction and real estate markets, led the Group to give maximum priority to solvency and new contract profitability, which had a slight adverse impact on revenue.

Also, in 2008 the revenue contributed to the Group by the real estate area saw a significant decline. For example, the Parquesol Group's revenue fell by EUR 182.3 million in 2007 and by EUR 101.9 million in 2008, representing an overall decline of more than EUR 80 million.

1.5 Main actions of the Group's business units -

The Group is a diversified group as regards its activities and the geographical areas in which it carries them on. The following divisions are present in the Group: construction, technology / energy, real estate and urban development.

The growth of the Company fundamentally follows criteria of profitability and diversification and/or expansion of the activities related to the various strategic industries in which it currently operates.

Investments in other industries, represented by the securities portfolio, will continue depending on the evolution of their value and on the financial opportunities that may arise.

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

1. Industry diversification and internationalisation as the cornerstones of stability and growth.

2. Integrated project management, offering a global service.

3. Maintenance of the level of shareholder independence.

4. Investment in human capital formation and cutting-edge technology to drive development.

5. Focus on companies with significant strategic importance, substantial returns on investment and a marked social component.

Objectives for 2009

Construction: to emphasise to a greater extent the process of geographical diversification. Also, to seek greater cost structure efficiencies. The Company's clear objective is to consolidate its position as one of Spain's leading construction groups, while continuing to meet quality requirements and deadlines. Strengthen the civil engineering business with further significant infrastructure projects and studying the possibility of corporate acquisitions.

In this regard, the construction division maintains a backlog still to be executed of EUR 1,252 million, consisting mainly of non-residential building construction and civil engineering projects (52% and 29%, respectively). 62% of this total figure is for public-sector customers.

Technology / Energy: further specialisation and optimisation of resources in order to manage projects that require greater technological and financial commitment. This will enable us to position ourselves in a higher value added segment.

The order backlog still to be executed at 31 December 2008 amounted to EUR 550 million, the breakdown of which is as follows:

	Millions of Euros
Maintenance and industrial installation work	58
Energy project development and management	492
TOTAL	550

On 26 December 2008, and published in the Galicia Official Gazette on 2 February 2009, the Galicia Department of Innovation and Industry awarded the Tecnológico Group the tender to build and subsequently operate five wind farms in Galicia. The total estimated budget to carry out the project amounts to approximately EUR 200 million.

Real estate: design and optimally implement the integration of Parquesol's businesses in order to maximise the synergies that the Group can contribute to the new company.

At 2008 year-end the Group owned land with a total area of approximately 2,846,417 m2, of which approximately 2,713,116 m2 are buildable. The detail, by location, of the Group's land is as follows:

	Millions of Euros
Spain	846,070
US	6,920
Dominican Republic	400
Portugal	31,423
Argentina	14,074
Peru	15,364
	914,251

Balance overall revenue by giving greater weight to the international business, promoting development in the countries in which we are already present and in new countries.

Increase our presence in the concession and services businesses.

1.6 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 the Group's 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.

2. Events after the balance sheet date:

The San José Group is in the process of integrating with the Parquesol Group with the aim of creating a more diversified and larger group with the capacity to take on larger projects. The formal processes which this project entails have already been performed and the related documentation has yet to be registered at the corresponding Mercantile Registries. The corporate restructuring process is expected to be completed in the first half of 2009.

As indicated in Note 26, on 21 April 2009, the Group signed a refinancing agreement for the aforementioned debt with a syndicate of banks. This contractual agreement is the culmination of a process which began prior to 31 December

2008 whereby the Group achieved the temporary suspension of the effects of a possible failure to meet the obligations established with a view to its renewal. Most of the maturities provided for in the financing agreement are subsequent to 31 December 2009.

Therefore, the directors of the Parent maintained as non-current the syndicated debt at 31 December 2008, the initial maturity of which was already after 31 December 2009.

The business plan prepared by the Group for the coming years, the financial resources of which are substantially guaranteed by the financing agreement detailed in the preceding paragraph, reasonably supports, in the opinion of the directors of the Parent, the viability of the Group's business project, even if conditions in the construction, real estate and financial services markets continue to deteriorate.

3. Future outlook:

It is now clear that a long economic cycle of expansion has come to an end as a result of the crisis in the world financial markets, the lack of liquidity and general lack of confidence. As a result, forecasts that were predicting a slight slowdown of the economy proved to be overly optimistic. The Group used 2008 in order to adapt its structure and strategy to the current climate, with the aim of minimising the adverse effects of the crisis and to seize the opportunities that are also arising.

The slowdown of the residential property market is creating a greater competition in public bids for tender, which is unavoidably having an impact on profit margins which are slightly tighter than before. Also, in view of the fact that the projected volume of public-sector investment will not allow construction companies to maintain their current level of activity, they will be obliged to broaden their outlook and promote and reinforce new geographical (mainly Latin America) and business (energy in all its facets, technology, etc.) diversification policies.

In 2008 the Company will continue to manage the activities of investees in which Udra, S.A. holds a significant ownership interest and will continue to consider the acquisition of ownership interests in other complementary or strategic industries for the Group. The consolidation of the various investees in their respective sectors of activity and their current backlog point towards a significant increase in billings in 2009.

4. Research and development:

Due to the nature of the Groups' business, no research and development activities were performed in 2008.

5. Treasury share transactions:

The Parent did not perform any transactions involving treasury shares in 2008.

6. Use of financial instruments in risk management:

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.

Liquidity risk: the Group has sufficient liquidity to cover its expected short- and medium-term obligations in the form of credit facilities with various banks and current financial assets. Any cash surpluses are used to make short-term investments in highly liquid deposits with no risk.

Available self-financing is used as far as possible to finance investing activities, thereby ensuring shareholder return, attention to debt requirements and the management of working capital.

Credit risk: credit risk, 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.

These consolidated financial statements consisting of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement, notes to the consolidated financial statements and the accompanying consolidated directors' report, presented on 120 sheets of officially stamped paper, numbered from 0J7529693 to 0J7529818, were authorised for issue by the Company's Board of Directors on 29 April 2009.

Jacinto Rey González

Jacinto Rey Laredo

Miguel Zorita Lees

Guillermo Mesonero Romanos

Altina de Fátima Sebastián González

Francis Lepoutre

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